

BYLAWS
OF
LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION

ARTICLE I

GENERAL

Section 1. Purpose. LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION is an Arizona non-profit corporation organized to provide for maintenance, preservation and architectural control of lots and common area within a townhouse development recorded as HALLCRAFT VILLAS WEST NINE located in Maricopa County, Arizona, which was created pursuant to a Declaration of Covenants, Conditions and Restrictions for LEGEND VILLAS WEST recorded in the office of the County Recorder of Maricopa County, Arizona.

Section 2. Conflict with Declaration. Should any provision of these Bylaws be inconsistent or conflict with any provision of the Declaration, such provision of the Declaration shall supersede and take precedence over any such provision of these Bylaws.

Section 3. Application of Bylaws. All present and future Owners, Occupants and their respective licenses, invitees and employees shall be subject to and be bound by all of the provisions of these Bylaws. The act of ownership or the mere occupancy of a lot shall establish a conclusive presumption that the Bylaws are accepted, ratified and will be complied with by such Owner or Occupant.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION, an Arizona non-profit corporation; its successors and assigns.

Section 2. "Board" shall mean the Board of Directors of the Association.

Section 3. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants Conditions and Restrictions for LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION, recorded in the Office of the County Recorder of Maricopa County, Arizona and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the owners.

Section 5. "Common Expenses" shall mean the expenses for the operation, maintenance, repair and restoration of the common areas, including but not limited to, salaries, wages, payroll taxes, attorneys' and accountants' fees, supplies, materials, parts, services, maintenance, repairs and replacements, landscaping, insurance, fuel, power and adequate reserves for the restoration and replacement of the common areas and appurtenances thereto. Common Expenses shall include those Common Expenses identified in the Declaration.

Section 6. "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION recorded on April 26, 1984, Document 84 177591 of the records of the County Recorder of Maricopa County, Arizona as the same may be amended from time to time.

Section 7. "Majority" or "Majority of Members" shall mean the owners of more than fifty percent (50%) of the lots situated within the properties.

Section 8. "Member" shall mean an Owner of a lot. If a member is a corporation or partnership, the Member shall be represented by an officer, partner, agent or employee of such Member.

Section 9. "Mortgage" means any recorded, filed or otherwise perfected instrument given in good faith and for valuable consideration which is not a fraudulent conveyance under Arizona law as security for the performance of an obligation, including without limitation a deed of trust, but shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code. "Mortgage" means a person secured by a Mortgage, including a trustee and beneficiary under a deed of trust; and "Mortgagor" means the party executing a Mortgage. "First Mortgage" means a Mortgage which is the first and most senior of all Mortgages upon the same property.

Section 10. "Occupant" shall mean a person or persons, other than a Member, in rightful possession of a lot.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of equitable or beneficial title (or legal title if the same has merged) of any lot. "Owner" shall include a purchaser of a lot under an agreement for sale within the meaning of Arizona Revised Statutes § 33-741. "Owner" does not include persons or entities who hold an interest in a lot merely as a security for the performance of an obligation.

Section 12. "Person" shall mean a natural individual, corporation, partnership, trustee or other entity capable of holding title to real property.

Section 13. "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 14. Other words and terms used in these Bylaws shall have the same meaning as set forth in the Declaration except where the context requires a different meaning.

ARTICLE III-

MEMBERS

Section 1. Eligibility. The membership of the Association shall consist of all Owners of lots in LEGEND VILLAS WEST. Membership in the Association shall be mandatory and no Owner during his ownership of a lot shall have the right to relinquish or terminate his membership in the Association.

Section 2. Succession. The membership of each lot Owner shall terminate when he ceases to be an Owner of a lot, and his membership in the Association shall automatically be transferred to the new Owner succeeding to such ownership interest.

Section 3. Annual Meeting. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association at such hour and at such place as may be specified in a written notice of such meeting, and each subsequent regular annual meeting of the Members shall be held during the same month of each year thereafter at such hour and at such place as may be designated in a written notice of such meeting.

Section 4. Special Meetings. Special meetings of the Members may be called at any time by the President or by a majority of the Board, or upon written request of more than one-fourth (1/4) of all Members.

Section 5. 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 prior to the date of such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association. Such notice shall specify the date, place and hour of the meeting, and, in the case of a special meeting, the purpose of such meeting.

Section 6. Voting. Members shall be Owners and shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be Members. The voting for such lot shall be exercised as such persons among themselves determine, or, in the absence of such determination, as determined by the Board, but in no event shall more than one vote be cast with respect to any lot. If any Member or Members cast a vote representing a certain lot, it will thereafter be conclusively presumed for all purposes that such Member or Members were acting with the authority and consent of all Members with respect to the particular lot.

Section 7. Quorum. The presence at a meeting of Members representing one-tenth (1/10) of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum shall be present or represented.

Section 8. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall automatically cease upon conveyance by the Member of his lot and the interest in the Common Area and appurtenants thereto.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by a Board of five (5) Directors.

Section 2. Term of Office. At the first annual meeting of the Members, the first and second Directors to be elected shall be elected for a term of one (1) year; the third, fourth and fifth Directors shall be elected for a term of two (2) years, so as to stagger the terms of office of the Directors.

Section 3. Qualifications. Each Director shall be a Member or the spouse of a Member (or if a Member is a corporation, partnership or trust, a Director may be an officer, partner or beneficiary of such Member). If a Director shall cease to meet such qualifications during his term, he will thereupon cease to be a Director, and his place on the Board shall be deemed vacant.

Section 4. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association entitled to vote for the election of Directors. In the event of the death, resignation or removal of a Director, his successor shall be selected by a majority of the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 5. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties as a Director.

Section 6. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could have taken at a meeting by obtaining the written approval of all 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 shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting by any Member not in default. The nominating committee shall consist of a chairman, who shall be a member of the Board, and two or more Members of the Association. The nominating committee shall be appointed by the Board of Directors at least sixty (60) days prior to each annual meeting and shall serve until such annual meeting has been concluded. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 2. Election. Election to the Board shall be by secret ballot or oral vote. Those candidates for election to the Board receiving the greatest percentage of votes cast either in person or by proxy at the meeting shall be elected.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held monthly without notice, at such place and time called by the President of the Association, or by a majority of the Directors.

Section 2. Special Meetings. Special meetings of the Board shall be held and called by the President and the Association, or by any three Directors, after not less than three (3) days notice to each Director, or within a reasonable time after the presentation to the President of the Association of a petition signed by one-quarter (1/4) of the members.

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. The Board shall have the power to:

(a) Elect and remove the officers of the Association;

(b) Adopt and publish rules and regulations governing the use of the Common Area and related facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(c) Suspend the right of a Member to vote and use the Common Area and related facilities during any period when such Member shall be in default in the payment of any assessment levied by the Association. Such right may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations promulgated by the Board;

(d) Engage the services of an agent to maintain, repair, replace, administer and operate the Common Area, or any part thereof, for all of the Members, upon such terms and for such compensation as the Board may approve. Any agreement for the services of any such agent shall provide for termination by either party with or without cause, and without payment of a termination fee, upon thirty (30) days written notice, and no such agreement shall be of a duration in excess of one (1) year, renewable by agreement of the parties for successive one (1) year periods;

(e) Make repairs within the individual lots where such repairs are required for the welfare or safety of other lot Owners or for the preservation or protection of the Common Area and appurtenants thereto;

(f) Grant or relocate easements over, across or through the Common Area as the Board may determine to be beneficial to the Members;

(g) Declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board; and

(h) Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation or the Declaration.

Section 4. 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 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 (1/4) of the Members who are entitled to vote;

(b) Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(c) As more fully provided in the Declaration, to:

(1) Administer, operate, maintain and repair the Common Area and appurtenants thereto;

(2) Determine the Common Expenses of the Association at least thirty (30) days in advance of each annual assessment period;

(3) Send written notice of each Member's proportionate share of the Common Expenses to every Member subject thereto; and

(4) Record a notice and claim of lien against any lot and the interest in the Common Area appurtenant thereto for which assessments are not paid, and foreclose the same within a reasonable time, and bring an action at law against the Member personally obligated to pay the same.

(d) Issue, or cause an appropriate officer to issue, upon written request by any person having any interest in any lot, a statement setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such a statement. If the statement provides that an assessment has been paid, such statement shall be conclusive evidence of such payments;

(e) Procure and maintain adequate casualty and liability insurance as more fully provided in the Declaration;

(f) Cause all officers or employees having fiscal responsibilities to be bonded in an amount not less than one hundred fifty percent (150%) of the estimated annual budget of the Association.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a President and Vice President who shall at all times be members of the Board, a Secretary, and a Treasurer and such other officers as the Board may from time to time provide for 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 the Association shall be elected annually by the Board and shall each hold office for one (1) year unless such officer shall sooner resign, or shall 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 prescribe.

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 giving written notice to the Board and the President or 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 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to fill such vacancy shall serve for the remainder of the term of the officer replaced.

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 (1) 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 shall be as follows:

(a) President - The President shall be the chief executive officer of the Association and shall supervise and control all of the business and affairs of the Association. He shall, when present, preside at all meetings of the Members and all meetings of the Board. He may sign, with or without any other officer of the Association as authorized by the Board, deeds, mortgages, bonds, contracts or other instruments which the Board has authorized to be executed, except where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the corporation or shall be required by law to be otherwise signed or executed. He shall have the power to appoint and remove one or more administrative Vice Presidents of the Association and such other assistants to the various elected officers of the Association as is necessary for the accomplishment of their duties. In general, he shall perform all duties incident to the office of the President and such other duties as may be prescribed by the Board.

(b) Vice President - In the absence of the President, or in the event of his death, on inability or refusal to act, the Vice President, or if there is more than one Vice President, the Senior Vice President, shall perform the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. Otherwise, such Senior and other Vice Presidents shall perform only such duties as may be assigned by the President or by the Board.

(c) Secretary - The Secretary shall keep the minutes of the meetings of the Members and the Board in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws, or as required by law; be custodian of the records and seal of the Association, and see that the seal of the Association is affixed to all documents, when such is duly authorized; keep or cause to be kept under his general supervision by a registrar or transfer agent appointed by the Board, a register of the name and post office address of each Member as furnished by such Member; have general charge of the transfer books of the corporation; and in general perform all duties incident to the office of Secretary and such other duties as may be assigned to him by the President or by the Board.

(d) Treasurer - The Treasurer shall have charge and custody of, and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all monies in the name of the Association in such banks, trust companies or other depositories as shall be directed by the Board; shall sign all checks and promissory notes of the Association except in those instances where the Board has delegated the authority to sign checks to a managing agent employed by the Association; shall keep proper books of account; shall cause an annual audit of the books of the Association to be made by a public account 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 Members at the regular annual meeting of the Members, and shall deliver a copy of such to the Members.

Section 9. Committees. The Association shall appoint an architectural committee, as provided in the Declaration, and a nominating committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as the Board may deem appropriate to carry out the purposes of the Association.

ARTICLE VIII

BOOKS AND RECORDS

Section 1. The books, records and papers of the Association shall at all times, during reasonable business hours be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member and copies thereof may be purchased at reasonable cost from the Association.

ARTICLE IX

COMMON EXPENSES

Section 1. Annual Budget. The Board shall cause an estimated annual budget of the Common Expense to be prepared for each fiscal year of the Association. Such estimated annual budget shall take into account the estimated expenses and cash requirements that will be required for the operation, maintenance, repair and restoration of the Common Area and appurtenants thereto for the year, including but not limited to, salaries, wages, payroll taxes, attorneys' and accountants' fees, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power and adequate reserves for the restoration and replacement of the Common Area and appurtenances thereto. To the extent that assessments for Common Expenses received from Members during the immediately preceding year shall be more or less than the Common Expenses incurred by the Association for the preceding year, the surplus or deficiency, as the case may be, shall also be taken into account. The annual budget shall also provide for a reserve for contingencies for the year and a reserve for restoration and replacements, in reasonable amounts as determined by the Board. The annual budget for the Common Expenses shall not exceed one hundred fifteen percent (115%) of the annual budget for the Common Expenses for the immediately preceding fiscal year unless such budget is approved by a majority vote of the Members present or represented by proxy at an annual or special meeting of the Members.

Section 2. Assessments for Common Expenses. The estimated annual budget for the Common Expenses for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Member not later than thirty (30) days prior to the beginning of the fiscal year. On or before the first day of the first month of each fiscal year, the Board shall assess each lot and each member for his respective share of the expenses of operating, maintaining, repairing and restoring the Common Area and appurtenances thereto. The members shall be assessed in the proportion to which their lots bear to the total number of lots subject to said assessment. The assessment levied against each lot and each Member shall be payable in twelve (12) equal monthly installments commencing on the first day of each succeeding month thereafter. In the event the Board fails to approve an estimated annual budget for the Common expenses or fails to determine the assessments for the Common expenses for any year, or shall be late in so doing, each Member shall continue to pay on the first day of each month during the new fiscal year an amount equal to the monthly installment paid toward the assessment for the Common Expenses levied against the particular lot for the immediately preceding fiscal year.

Section 3. Partial Years and Months for the First Fiscal Year. The annual budget for the Common Expenses for the first fiscal year shall be as approved by the first Board. If the first fiscal year, or any succeeding fiscal year, shall be less than a full calendar year, the annual assessment for the Common Expenses shall be prorated in accordance with the number of months and days in such period covered by such budget for the purposes of determining the amount of the monthly installments.

Section 4. Supplemental Budget. In the event that during the course of any fiscal year the Board shall determine that the assessments levied in accordance with the estimated annual budget for the Common Expenses for such fiscal year are insufficient, and inadequate, or are greater than required to cover the estimated expenses of operating, maintaining, repairing and restoring the Common Area and appurtenances thereto for the remainder of such fiscal year, the Board shall prepare and approve a supplemental budget covering the estimated deficiency or excess for the remainder of the fiscal year, a copy of which supplemental budget shall be furnished to each Member, and upon furnishing such copy, the Board shall levy a supplemental assessment for such estimated deficiency against each lot and each Member or reduce the existing annual assessment installments attributable to each lot and each Member for the proportionate share of such estimated deficiency or excess, which shall in the event of a deficiency be payable in the same manner and on the same date as the then remaining balance of the original assessment for the Common Expenses for such fiscal year. In the event of an excess, the reduced assessment shall be effective and applied in the same manner and on the same date as the then remaining balance of the original assessment for the Common Expenses for such fiscal year.

Section 5. Lien for Unpaid Assessments. Each installment of each Member's proportionate share of the Common Expenses together with a late charge established by the board not exceeding six percent (6%) of the amount of such installment, costs, and reasonable attorneys' fees, shall constitute the personal obligation of the person who was a Member at the time such installment became due. The personal obligation for delinquent installments shall not pass to a Member's successor unless expressly assumed by such

successor, provided, however, that the personal obligation shall survive any voluntary or involuntary transfer of a lot with respect to any Member who was the Owner of such lot at the time such installment became due. If any Member shall fail or refuse to pay any such installment when due, the amount thereof, together with a late charge established by the Board not exceeding six percent (6%) of the amount of such installment, costs and reasonable attorneys' fees, shall constitute a lien on the lot of such Member and on any rents or proceeds therefrom; provided, however, that such lien shall be subordinate to the lien of a recorded First Mortgage on the applicable lot, acquired in good faith and for value, except for the amount of any unpaid installments and other charges which accrue from and after the date on which the First Mortgagee acquires title to or comes into possession of the applicable lot, and any lien for unpaid installments and other charges prior to such date shall upon such date automatically terminate and be extinguished and such First Mortgagee shall not be liable for such unpaid assessments and other charges, provided, however, that the extinguishment of such lien shall not in any way affect the personal obligation of the Member at the time the installment giving rise to such lien became due. Any persons acquiring any interest in any lot shall upon written notice to the Board be entitled to a statement from the Association setting forth the amount of unpaid installments, if any, and such person shall not be liable for, nor shall any lien attach to such lot in excess of the amount set forth in such statement except for assessments and other charges which become due after the date thereof. The lien provided for in this Section may be foreclosed by the Association in any manner provided or permitted for the foreclosure of real property mortgages or deeds of trust in the State of Arizona.

ARTICLE X

INDEMNIFICATION

Section 1. General. The Association shall indemnify and hold harmless each of its Directors and officers, each member of any committee appointed pursuant to these Bylaws, the Board, and Declarant, against any and all liability arising out of any acts of the Directors, officers, committee members, Board or Declarant (including any and all officers and Directors of Declarant), or arising out of their status as Directors, officers, committee members, Board or Declarant, unless any such act is a result of gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses including, by way of illustration but not of limitation, attorneys' fees and costs, reasonably incurred in connection with the defense of any claim, action or proceeding, whether civil, criminal, administrative or other, in which any such Director, officer, committee member, Board, Declarant or Director or officer of Declarant, may be involved by virtue of such person having the status of a Director, officer, committee member, Board, Declarant, Declarant's Director or officer; provided, however, that such indemnity shall not be operative with respect to any matters to which such person shall have been finally adjudged in such action or proceeding to be liable for gross negligence or criminal intent in the performance of his duties.

ARTICLE XI

CORPORATE SEAL

Section 1. The Association shall have a seal in a form approved by the Board of Directors.

ARTICLE XII

AMENDMENTS


Section 1. These Bylaws may be changed, modified or amended, at a regular or special meeting of the Members, by a majority vote of the Members present or represented by proxy, at a regular or special meeting called for that purpose.

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Association shall begin on the first day of March and end on the last day of February each year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, the President of LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION has hereunto set his hand as of this 17th day of June, 1986.


President

CERTIFICATION

The undersigned does hereby certify:

THAT she is the duly elected and acting Secretary of LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION, an Arizona non-profit corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of LEGEND VILLAS WEST TOWNHOUSE ASSOCIATION, as duly adopted at a meeting of the Members thereof, held on the 17th day of JUNE, 1986.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand and affixed the seal of the corporation as of this 23rd day of JUNE, 1986.

Nancy Staer
Secretary