

BYLAWS
OF
ANCALA CASITAS RESORT HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is ANCALA CASITAS RESORT ASSOCIATION (hereinafter referred to as the "Association"). The location of the principal office of the Association shall be as provided in the Articles of Incorporation. Meetings of Members and Directors may be held at such places within the State of Arizona, County of Maricopa, as may be designated by the Board of Directors.

ARTICLE II

DEFINED TERMS

The words and terms used herein shall be deemed to have the same meanings as are given those words and terms in that certain DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF ANCALA CASITAS RESORT dated June 27, 1991 and recorded as Document No. 91-196768 in the records of the Maricopa County, Arizona Recorder (the "Declaration"), as the same may from time to time be amended.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. Except as otherwise provided in the Articles of Incorporation, annual meetings of the Members shall be held on the SUN day of JANUARY every year at such time of day and place as determined by the board of Directors, beginning in October of 1992, or at such other time and at such place as may be determined by the board of Directors or by a majority vote of the Members voting at any meeting of the Members.

Section 2. Special Meetings. Special Meetings of the Members may be called at any time by the President or by a majority of the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A 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, not less than ten (10) days nor more than forty-five (45) days before such meeting to each Member 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. In addition, a notice of the annual meeting shall include:

- (a) the slate of candidates for the Director positions and a biography of each candidate;
- (b) a ballot and voting instructions; and
- (c) a proxy card to be used for quorum purposes and any business that may come before the Members at the annual meeting.

By attending a meeting, a Member waives any right he may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the Arizona statutes. Notwithstanding the foregoing, meetings called for the purpose of increasing the Maximum Annual Assessment or levying a Special Assessment must be noticed as required in Article VII, Section 6 of the Declaration.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of 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 power to adjourn the meeting from time to time, within thirty (30) days, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. 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. A proxy may not be revoked except by actual notice of revocation to the person presiding over a meeting of the Association. Every proxy shall automatically cease upon conveyance by the Member of his Lot. A proxy shall terminate eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 6. Voting. A majority of the votes cast at a properly held meeting or received by the Secretary on or before the date of the meeting shall decide any question, unless the Declaration, Articles or these Bylaws require a higher voting percentage with respect to the issue in question.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of Directors. The Board shall manage and govern the affairs of the Association. The Board shall consist of three (3) Directors; provided, however, that

when the Declarant is no longer a Class B Member, the Board shall consist of five (5) Directors. Directors shall be elected by the Members at the annual membership meetings.

Section 2. Term of Office. The Directors designated in the Articles shall hold office until the first annual election of Directors, which shall take place at the first annual meeting of Members, or until their successors are elected and qualified. As long as the Declarant holds a Class B vote, the Directors shall serve for two (2) year terms. At the annual meeting of Members immediately following the date the Class B vote ceases to exist, the members shall elect three (3) Directors for a term of two (2) years and two (2) Directors for a term of one (1) year. At each annual meeting thereafter, Directors shall be elected for a term of two (2) years so that one year three (3) will be elected and the next year two (2) will be elected. All Directors shall serve until their successors are elected and qualified.

Section 3. Removal and Vacancies. Any Director may be removed from the Board, with or without cause, by a majority of the votes entitled to be cast by the Members of the Association present in person or by proxy at a regular or special meeting of the Members. In the event of the death, resignation or removal of a Director, his successor shall be selected by the remaining members of the Board and such successor shall serve for the unexpired term of his predecessor.

Section 4. Disqualification and Resignation of Directors. Any Director may resign at any time by sending written notice of such resignation to the Secretary of the Association. Unless otherwise specified therein, such resignation shall take effect upon receipt by the Secretary. Except in the case of injury, illness or similar excusable circumstances, more than three (3) consecutive absences from duly called regular meetings of the Board shall automatically constitute a resignation by such absent Director to be effective as of the conclusion of the last missed meeting. In the event a Director ceases to be an Owner his directorship shall immediately and automatically terminate. No Member shall continue to serve on the Board should he be more than thirty (30) days delinquent in the payment of an Assessment or fee and such delinquency shall automatically constitute a resignation by such delinquent Director on the thirty-first day of delinquency.

Section 5. Compensation. No Director shall receive compensation for any service he may render to the Association in such capacity. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties as a Director and may receive a salary or wages if he is employed by the Association in a capacity in addition to serving 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 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 a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, ~~and Chairman, who shall be a member of the Board of Directors, and two~~ (2) or more persons who are Members of the Association, officers of a corporate Member, or partners in a partnership Member. 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. 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.

Section 2. Election. Election to the Board of Directors may be by secret written ballot. At such election the Members 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. The persons receiving the largest number of votes (by proxy or by ballots received prior to and on the election date and all votes cast at the election) shall be elected. The current President shall designate two (2) to four (4) Members whose names do not appear on the ballot to tally all such votes, the results of which shall be announced at the current annual meeting.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors may be held without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Notice shall be given to each Director personally, by mail, telephone or telegraph, at least three (3) days prior to the date designated for such meeting. The first meeting of a newly elected Board shall be held immediately following the annual meeting of Members, if practicable, and in any event within ten (10) days of election. Should any 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 (2) Directors, after not less than three (3) days notice to each Director.

Section 3. Waiver of Notice. Before, at or after any meeting of the Board any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any

meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 4. 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 power to:

(a) adopt and publish rules and regulations governing the use of the Common Areas and Yard Lot Areas, the personal conduct of the Members and their guests, and any other matters contemplated by the Declaration or Articles and to establish penalties for the infraction thereof;

(b) suspend a Member's voting rights and right to use the Common Areas 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 (i) for a period not to exceed sixty (60) days for infraction of the Declaration and (ii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period;

(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 Bylaws, the Articles or the Declaration;

(d) declare the office of a member of the board of Directors to be vacant in the event such member shall be absent for three (3) consecutive regular meetings of the Board of Directors;

(e) employ a manager, independent contractors, or such other employees as they deem necessary and to prescribe the duties of such persons;

(f) provide for the indemnification of its Officers, Committee Members and Directors; and

(g) impose charges for the late payment of assessments and, after notice and an opportunity to be heard, impose reasonable monetary penalties upon Owners for violations of the Declaration, Articles, Bylaws and Association Rules and Regulations.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all of 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 Members entitled to cast one-fourth (1/4) of the Class A votes;

(b) elect and remove the officers of the Association as hereinafter provided and to supervise all offices, 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) estimate the amount of the annual budget and to fix the amount of the Annual Assessment against each Lot or Parcel at least thirty (30) days in advance of each Assessment Period; and

(2) take such action, as and when the Board deems such action appropriate but after notice as provided in the Declaration, to foreclose the Assessment Lien against any property for which Assessments are not paid and/or to bring any legal action at law against the Member 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, as against any bona fide purchaser of, or lender on, the Lot or Parcel in question:

(e) procure and maintain adequate (not less than ONE MILLION DOLLARS ((\$1,000,000.00)) liability and hazard insurance on property owned by the Association and to procure and maintain officers and directors liability insurance and any other insurance deemed appropriate;

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

(g) cause the maintenance responsibilities and all other duties of the Association set forth in the Declaration to be performed.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, a Treasurer and such other officers as the Board may

from time to time by resolution create. When the Declarant is not longer a Class B Member, the President, Vice-President, Secretary and Treasurer shall each be an Owner or an employee, officer, director, shareholder or partner of an Owner.

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 and each shall hold office for one (1) year or until his successor shall have been elected and qualified, unless he 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 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 or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 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 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 or any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. Except as otherwise provided by resolution of the Board and except to the extent such duties are delegated to a manager, 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 notices, leases, mortgages, deeds and other written instruments on behalf of the Association; and shall have general and active management of the business of the Association.

(b) Vice President: The Vice President shall act in the place and stead of the President in the event of his absence or inability or refusal to act and shall exercise and discharge such other duties as may be required of him 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 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 and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks of the Association; shall keep proper books of account; shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting; and, in general, perform all the duties incident to the office of treasurer.

Section 9. Compensation. The officers shall receive such compensation as the Board shall determine.

ARTICLE IX

COMMITTEES

The Board of Directors shall appoint a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out the purpose of the Association. The Architectural Committee shall be composed of three (3) regular members and one (1) alternate member, which shall be appointed and/or elected as provided in the Declaration.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member, prospective buyer or by holders, insurers or guarantors of first mortgages that are secured by a Lot within the Property. The Declaration, the Articles and the Bylaws of the Association shall be available for inspection by any Member or prospective buyer at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association Annual Assessments, Special Assessments, and Maintenance Charges 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 on the due date, the assessment shall bear interest, and the Association may bring legal action against the Owner personally obligated to pay the same or foreclose the lien against the property, as provided in the Declaration. Interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such Assessment along with any assessments or fines charged under Article V, Sections 9 and 10. No Owner may waive or otherwise escape liability for the Assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII

AMENDMENTS

Section 1. Amendments. These Bylaws may be amended from time to time in a manner not inconsistent with the Declaration or Articles by a majority vote of the Board or at a regular or special meeting of the Members by a vote of a majority of a quorum of Members present in person or by proxy; provided however, the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") shall have the right to veto amendments while there is a Class B Membership in the Declaration and if these Bylaws have been initially approved by the FHA or VA in connection with any loan programs made available by FHA or VA and any loans have been made within Ancala Casitas Resort which are insured or guaranteed by FHA or VA.

Section 2. Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in the Bylaws to the contrary notwithstanding, the Declarant reserves the right to amend all or any part of the Bylaws to such an extent and with such language as may be requested by the FHA, VA, FHLMC or FNMA and to further amend the Bylaws to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Bylaws or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any amendment which deletes, diminishes or alters the rights of the Declarant must be approved by the Declarant.

ARTICLE XIII

INTERPRETATION

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the event of any interpretation or application of the provisions of the ARTICLES, Declaration, or these Bylaws, the determination thereof by the Board shall be final and binding.

ARTICLE XIV

FISCAL YEAR

The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of each year. Except that the first fiscal year shall begin on the date of incorporation of the Association and shall end on the 31st day of December thereafter.

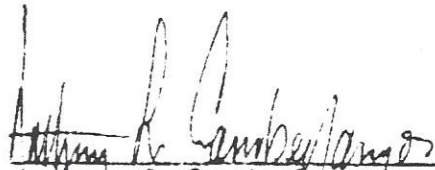
DATED June 27, 1991

CERTIFICATION

I, the undersigned, do hereby certify:

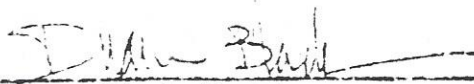
THAT I am the duly elected and acting President of the ANCALA CASITAS RESORT HOMEOWNERS ASSOCIATION, as adopted by the Board of Directors thereof, on the 27th day of June, 1991.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of June, 1991.



Anthony L. Camberlango
President

ATTEST:



Duane Blacz, Secretary