

BYLAWS
OF
THE COMMONS ON LEMON, INC.

ARTICLE I

GENERAL

Section 1. Purpose. The Commons On Lemon, Inc. is an Arizona non-profit corporation organized for the purpose of acting as the council of co-owners, as that term is used in Arizona Revised Statutes §33-561, for The Commons On Lemon, a condominium located in Maricopa County, Arizona, which was created pursuant to a Declaration of Horizontal Property Regime and Declaration of Covenants, Conditions and Restrictions for The Commons On Lemon, 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 licensees, 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 Unit shall establish a conclusive presumption that these Bylaws are accepted, ratified and will be complied with by such Owner or Occupant.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean The Commons On Lemon, Inc., an Arizona non-profit corporation, its successors and assigns.

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

Section 3. "Common Elements" shall mean the "General Common Elements" as that term is defined in Arizona Revised Statutes §33-551(6) and as used herein shall have the same meaning as in the Declaration.

Section 4. "Common Expenses" shall mean the expenses for the operation, maintenance, repair and restoration of

the Common Elements, 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 Elements and appurtenances thereto. Common Expenses shall include those Common Expenses identified in the Declaration.

Section 5. "Declarant" shall mean Commons On Lemon, a California limited partnership, its successors in interest and assigns.

Section 6. "Declaration" shall mean the Declaration of Horizontal Property Regime and Declaration of Covenants, Conditions and Restrictions for The Commons On Lemon recorded on October 22, 1985, at Recorder's number - of the records of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time.

Section 7. "Eligible Mortgage Holder" means the holder of a First Mortgage on a Unit who has in writing informed the Association of such Holder's address and requested notification of and the right to participate in (if applicable) any action to be taken by the Association pursuant to the Declaration.

Section 8. "Eligible Insurer or Guarantor" means an insurer or governmental guarantor of a First Mortgage on a Unit which has in writing informed the Association of such Insurer or Guarantor's address and requested notification of and the right to participate in (if applicable) any action to be taken by the Association pursuant to the Declaration.

Section 9. "Majority" or "Majority of Members" shall mean the Owners of Units to which more than fifty percent (50%) of the undivided ownership of the Common Elements is appurtenant, irrespective of the total number of Owners. Likewise, any specified fraction or percentage of the Members shall mean the Owners of Units to which that fraction or percentage of undivided ownership of the Common Elements is appurtenant.

Section 10. "Member" shall mean an Owner of a Unit. If a Member is a corporation or partnership, the Member shall be represented by an officer, partner, agent or employee of such Member.

Section 11. "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 does not mean any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code. "Mortgagee" 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 12. "Occupant" shall mean a person or persons, other than a Member, in rightful possession of a Unit.

Section 13. "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 Unit. "Owner" shall include a purchaser of a Unit under an agreement for sale within the meaning of Arizona Revised Statutes §33-741. "Owner" does not mean persons or entities who hold an interest in a Unit merely as security for the performance of an obligation.

Section 14. "Person" shall mean a natural individual, corporation, partnership, trustee or other entity capable of holding title to real property.

Section 15. "Unit" shall mean an "apartment" as that term is defined in Arizona Revised Statutes §33-551(1) and as used herein shall have the same meaning as in the Declaration.

Section 16. 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 Units in Phase I of The Commons On Lemon and Phase II if The Commons On Lemon is expanded to include such Phase in accordance with the Declaration. Membership in the Association shall be mandatory and no Owner during his ownership of a Unit shall have the right to relinquish or terminate his membership in the Association.

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

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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 on the same day of the same month of each year thereafter at the same hour and at such place as may be designated in the written notice of such meeting. If the date set for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following such legal holiday.

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 the Class A 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 ten (10) 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. The Association shall have two classes of voting membership:

(a) Class A - Class A Members shall be all Owners in Phase I of The Commons On Lemon and Phase II, if The Commons On Lemon is expanded to include such Phase, with the exception of the Declarant and shall be entitled to one vote for each Unit owned. When more than one person holds an interest in any Unit, all such persons shall be Members. The voting for such Unit 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 Class A Unit. If any Owner or Owners cast a vote representing a certain Unit, it will thereafter be conclusively presumed for all purposes that such Owner or Owners were acting with the authority and consent of all other Owners of the same Unit.

(b) Class B - The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Unit owned in Phase I of The Commons On Lemon and Phase II, if The Commons On Lemon is expanded to include such Phase.

Each such vote may be cast in such proportions on any matter as the Declarant may determine. Class B membership shall cease and be converted to Class A membership, without further act or deed, upon the happening of any of the following events:

(1) Upon the conveyance of any particular Unit by the Declarant, other than as security for an obligation, with respect to the particular Unit or Units so conveyed;

(2) With respect to all remaining Class B memberships, upon the first to occur of the following:

(i) Upon the expiration of one hundred twenty (120) days following the first date when the total votes entitled to be cast by the Class A membership equal or exceed the votes entitled to be cast by the Class B membership; or

(ii) Five (5) years after the conveyance of the first Unit to an Owner other than Declarant.

If any lender to whom Declarant has assigned, or hereafter assigns, as security, all or substantially all of its rights under the Declaration succeeds to the interest of Declarant by virtue of said assignment, the Class B membership shall not be terminated thereby, and such lender shall become the Class B Member on the same terms as Declarant pursuant to the Declaration.

Section 7. Quorum. The presence at a meeting of Members representing one-tenth (1/10) 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 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

Unit and the interest in the Common Elements appurtenant thereto.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by a Board of three (3) Directors.

Section 2. Term of Office. At the first annual meeting of the Members, the first Director to be elected shall be elected for a term of one (1) year; the second Director to be elected shall be elected for a term of two (2) years; and the third Director shall be elected for a term of three (3) years, and at each annual meeting thereafter, the Members shall elect one Director for a term of three (3) years so as to stagger the terms of office of the Directors.

Section 3. Qualifications. Each Director shall be a Member or a 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. The requirements of this Section shall not apply to Directors elected as a result of any of the votes cast by the Class B Member.

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 take 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 written 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 hour as may be affixed from time to time by resolution of the Board. Should the date of 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 shall be held and called by the President of the Association, or by any two 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 Class A 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 Elements 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 to use the recreational facilities which are a part of the Common Elements 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 Elements, 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 the Association with or without cause, and without payment of a termination fee or penalty, 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 Units where such repairs are required for the welfare or safety of other Unit Owners or for the preservation or protection of the Common Elements;

(f) Grant or relocate easements over, across or through the Common Elements 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 Class A 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 Elements;

(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 Unit and the interest in the Common Elements 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 Unit, 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 as more fully set forth in the Declaration.

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 by 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. Any two or more offices may be held by the same person except the offices of President and Secretary.

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, 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 accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the Members at the regular annual meeting of the Members, and shall deliver a copy of such to the Members.

Section 4. 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 at the principal office of the Association, 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 Expenses 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 Elements 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 Elements and the 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, provided, however, that for a period of one (1) year from and after the conveyance of the first Unit to a Unit Owner by Declarant, Declarant shall maintain a working capital fund equal to at least two (2) months estimated Common Expenses.

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 Unit and each Member for his respective share of the expenses of operating, maintaining, repairing and restoring the Common Elements in accordance with the proportionate interest in the Common Elements appurtenant to the particular Unit. The assessment levied against each Unit and each Member shall be payable in twelve (12) equal monthly installments commencing on the first day of the first month of the fiscal year and on the first day of each succeeding month thereafter. Payment of the Common Expenses, including any prepayment thereof required by any contract for the sale of a Unit, shall be payable monthly in such amounts and in such manner as may be provided in these Bylaws, the Articles of Incorporation, the Declaration or as determined by the Board. Notwithstanding anything contained herein or in the Articles of Incorporation or the Declaration to the contrary, assessments for the Common Expenses attributable to unoccupied Units of which Declarant is the Owner, shall commence within thirty (30) days after conveyance of the first Unit to a Unit Owner other than Declarant. With respect to all other Units, assessments for the Common Expenses shall commence upon the first day of the first month immediately following the conveyance of such Unit to a Unit Owner other than Declarant. 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 Unit for the immediately preceding fiscal year. Until commencement of the first fiscal year of the Association immediately following the conveyance of the first Unit to an Owner, the maximum monthly payment for such Common Expenses payable by each Owner shall be EIGHTY Dollars (\$80.00) per Unit. At the commencement of the first fiscal year immediately following the conveyance of the first Unit to an Owner and

at the commencement of each and every fiscal year thereafter, the Board shall ascertain an index number for the U.S. Cities All Items Average (1967 = 100) set forth in the Consumer Price Index for All Urban Consumers of the Bureau of Labor Statistics, United States Department of Labor, for the most recent month for which such Index has been published (represented by the letter "C" in the formula hereinafter set forth) and the maximum monthly payment for such Common Expenses assessed for such fiscal year (represented by the letter "R" in the formula hereinafter set forth) may be increased to an amount equal to the then current index number ("C") divided by the U.S. Cities - All Items Average (1967 = 100) set forth in said Consumer Price Index for All Urban Consumers for June, 1985 (represented by the letter "M" in the formula hereinafter set forth) and multiplied by the maximum monthly payment hereinbefore set forth for the period prior to the commencement of the first fiscal year (represented by the letter "X" in the formula hereinafter set forth):

$$(R = \frac{C}{M} \times X)$$

If the Consumer Price Index for All Urban Consumers shall no longer be published, then another index published by the Bureau of Labor Statistics or any other federal agency shall be substituted by the Board. Notwithstanding anything contained herein to the contrary, from and after the commencement of the first fiscal year immediately following the conveyance of the first Unit to an Owner, the maximum monthly assessment may be increased above that established by said Consumer Price Index formula provided that such increase shall have the assent of sixty seven percent (67%) of each Class of Members who are voting in person or by proxy at a meeting called for such purpose.

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. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided

that any such assessment shall have the assent of sixty seven percent (67%) of the votes of each Class of Members who are voting in person or by proxy at a meeting duly called for that purpose. Written notice of any meeting called for the purpose of taking any action authorized under this section shall be sent to all Members not less than ten (10) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each Class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5. Lien for Unpaid Assessments. Each installment of each Owner's proportionate share of the Common Expenses, together with costs and reasonable attorneys' fees, shall constitute the personal obligation of the person who was an Owner at the time such installment became due. The personal obligation for delinquent installments shall not pass to an Owner's successor unless expressly assumed by such successor, provided, however, that the personal obligation shall survive any voluntary or involuntary transfer of a Unit with respect to any Owner who was the Owner of such Unit at the time such installment became due. If any Owner shall fail or refuse to pay any such installment within thirty (30) days of the due date, the amount thereof, together with interest thereon at the rate of twelve percent (12%) per annum from the due date of such payment, a reasonable late charge not exceeding twenty five percent (25%) of the amount of such payment as determined by the Board, costs and reasonable attorneys' fees, shall constitute a lien on the Unit of such Owner 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 Unit, acquired in good faith and for value, except for the amount of any unpaid assessments 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 Unit, and any lien for unpaid assessments 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 Owner of the Unit at the time the payment giving rise to such lien became due. Any person acquiring any interest in any Unit shall upon written notice to the Board be entitled to a statement from the Association setting forth the amount of unpaid

assessments and other charges, if any, and such person shall not be liable for, nor shall any lien attach to such Unit in excess of the amount set forth in such statement except for assessments and other charges which accrue or 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

ADDITION OF NEW MEMBERS

Section 1. Additional Members. Upon the annexation of Phase II, each Owner of a Unit in Phase II shall become a Member of the Association, shall be entitled to all rights and privileges associated with membership in the Association, and shall be subject to all duties, responsibilities and obligations incident to membership. All Members of the Association shall have the nonexclusive right to use any or all of the Common Elements, including any additional Common Elements created upon the annexation of Phase II in accordance with the rules and regulations promulgated by the Association.

Section 2. Voting Rights of Additional Members. All Members of the Association, including all Members in Phase II, if such Phase is subsequently annexed, shall be entitled to vote on all matters in the same manner provided in Article III, Section 6 hereof.

ARTICLE XI

INDEMNIFICATION

Section 1. General. Subject to the provisions of A.R.S. §10-1005(B), the Association shall indemnify and hold harmless each of its Directors and officers, each member of any committee appointed by the Board, 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 XII

CORPORATE SEAL

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

ARTICLE XIII

AMENDMENTS

Section 1. These Bylaws may be changed, modified or amended, at a regular or special meeting of the Members, by sixty-seven percent (67%) of the votes entitled to be cast of the Members present or represented by proxy, at a regular or special meeting called for that purpose, provided, however, that so long as any Class B membership remains outstanding, the Veterans Administration shall have consented to any change, modification or amendment and provided further, that fifty-one percent (51%) of all Eligible Mortgage Holders have consented to any change, modification or amendment which establishes, provides for, governs or regulates any of the following:

- (1) Voting;
- (2) Assessments, assessment liens or subordination of such liens;
- (3) Reserves for maintenance, repair and replacement of the Common Elements;
- (4) Responsibility for maintenance and repair of the Common Elements and the Units;
- (5) Subject to the provisions of the Declaration and subject to the provisions of the Act, reallocation of interests in the Common Elements or rights to the use of the Common Elements;
- (6) Boundaries of any Unit;
- (7) Convertibility of Units into Common Elements or of Common Elements into Units;
- (8) Subject to the provisions of the Declaration and subject to the provisions of the Act, expansion or

contraction of The Commons On Lemon or the addition, annexation or withdrawal of property to or from The Commons On Lemon;

(9) Insurance or fidelity bonds;

(10) Leasing of Units;

(11) Imposition of any restrictions on the right of a Unit Owner to sell, transfer, or otherwise convey such Owner's Unit;

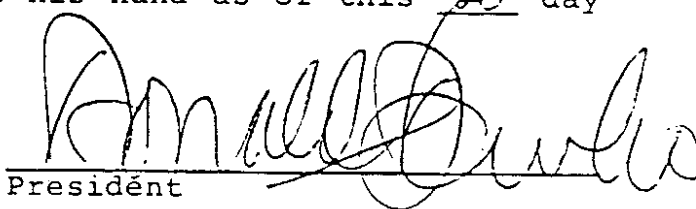
(12) Any decision by the Association to establish self management if professional management has been previously required by an Eligible Mortgage Holder;

(13) Restoration or repair of the Property after damage, destruction or condemnation in a manner other than as provided in the Declaration;

(14) Subject to the provisions of the Declaration and subject to the provisions of the Act, any action to terminate the horizontal property regime created hereby after substantial destruction or condemnation occurs;

(15) Any provisions which are for the express benefit of Mortgage Holders, Eligible Mortgage Holders or Eligible Insurers or Guarantors of First Mortgages on any Unit.

IN WITNESS WHEREOF, the President of The Commons On Lemon, Inc. has hereunto set his hand as of this 20 day of November, 1985.


President

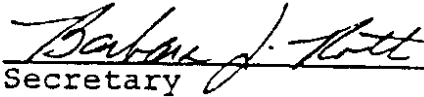
CERTIFICATION

The undersigned does hereby certify:

THAT he is the duly elected and acting Secretary of The Commons On Lemon, Inc., an Arizona non-profit corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of The Commons On Lemon, Inc., as duly adopted at a meeting of the Members thereof, held on the 20th day of NOVEMBER, 1985.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and affixed the seal of the corporation as of this 30th day of NOVEMBER, 1985.


Secretary