

BYLAWS
OF
XANADU LAKE RESORT CONDOMINIUMS, INC.

(AS REVISED & APPROVED AT ANNUAL GENERAL MEETING OF XANADU LAKE
HOMEOWNERS ASSOCIATION, SATURDAY, NOVEMBER 2, 1996)

ARTICLE I
NAME

The name of the corporation is XANADU LAKE RESORT CONDOMINIUMS, INC., hereinafter referred to as the Association.

ARTICLE II
PRINCIPAL OFFICE

The principal office of the corporation shall be located in Lake Havasu City, Arizona. The meetings of members and directors may be held at such places in the State of Arizona, County of Mohave, as may be designated by the Board of Directors.

ARTICLE III
DEFINITIONS

A. "Association" shall mean and refer to XANADU LAKE RESORT CONDOMINIUMS, INC., a non-profit corporation, organized and existing under the laws of the State of Arizona.

B. "The Properties" shall mean and refer to that certain real property described in the Declaration of Horizontal Property Regime Together with Covenants, Conditions and Restrictions for XANADU LAKE RESORT CONDOMINIUMS, INC., Mohave County, Arizona, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

C. "Common Properties", shall mean the entire properties except Apartment as defined in D below.

D. "Apartment" shall mean a separate freehold estate existing of an air space defined as follows:

- (i) The lower horizontal boundary is the surface of the concrete floor thereof.
- (ii) The upper horizontal boundary is a horizontal plane, the elevation of which coincides with the elevation of the surface of the finished ceiling with the elevation of the surface of the finished ceiling or ceilings thereof.
- (iii) The lateral boundaries are the interior surfaces of the perimeter walls, windows and doors thereof and vertical plane coincidental with the interior surfaces of the perimeter walls thereof, extended upwards to intersect the upper horizontal boundary.

(iv) Each such apartment includes the surfaces so described, and the portions of the building and improvements lying within said boundaries. Each such Apartment shall also include the heating and air conditioning unit, ranges, dishwasher, garbage disposal units, water heaters and other household appliances lying within said boundaries and/or appurtenant areas.

(v) Unless otherwise indicated, all airspace boundary lines intersect at right angles.

The following are not part of an Apartment: Bearing walls, columns, vertical supports, roofs, floors, cement slabs, foundations, pipes, ducts, flues, garage doors, private drives, front doors, arcadas and/or sliding glass doors, conduits, wires and other utility installation, wherever located, except the outlets thereof when located within the Apartment. In interpreting deeds, plats, declarations and plans, the existing physical boundaries of an Apartment or an Apartment reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than the description expressed in the deed, plat, plan or declaration, regardless of settling or lateral movement of the building, and regardless of minor variances between the boundaries as shown on the plan or in the deed and declaration and those of the building. Each Apartment in each building, as the case may be, shall be deemed to be a separate and distinct Apartment.

E. "Member" shall mean and refer to all those owners who are members of the Association as provided in the Declaration.

F. "Owner(s)" shall mean and refer to the record owner, whether one or more persons or entities, of equitable or beneficial title (or legal title if same has merged) of any Apartment. "Owner" shall include the purchaser under an executory contract for the sale of the real property. The foregoing does not include persons or entities who hold an interest in any Apartment merely as security for the performance of an obligation. Except as stated otherwise herein, "Owner" shall not include a lessee or tenant of an Apartment.

G. "Contract purchaser" shall mean and refer to any person or entity that have executed a real estate purchase agreement for any Apartment in the property and who is not in default under the terms thereof.

H. "Declarant" shall mean and refer to XANADU LAKE RESORTS CONDOMINIUMS, INC., an Arizona partnership, including its successors and assigns.

I. "Declaration" shall mean and refer to the Declaration of Horizontal Property Regime Together with Covenants, Conditions, and Restrictions applicable to the properties recorded in the office of the County Recorder of Mohave County, Arizona.

ARTICLE IV MEMBERSHIP

Section 1. MEMBERS

Every Owner of an Apartment which is subject to the covenants of records to assessment shall be a member of the Association. Membership shall appurtenant to and may not be separated from

ownership of any Apartment or living unit which is subject to assessment. The rights and obligations of an Owner and membership in the Association shall not be assigned, transferred, pledged, conveyed, or alienated in any way except upon transfer of ownership to such Apartment, or by intestate succession, testamentary disposition, foreclosure of a mortgage or record, or such other legal process that is now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership shall operate to transfer said membership to the new Owner, and a reasonable charge may be assessed by the Association for each such transfer.

Section 2. ASSESSMENTS

The rights of membership are subject to the payment of monthly and special assessments levied by the Association, the obligation of which assessment is imposed against each owner that becomes a lien upon the property against which assessments are to be made as provided by the Declaration of Horizontal Regime Together with Covenants, Conditions and Restrictions to which the properties are subject as recorded in the office of the County Recorder of Mohave County, Arizona.

Section 3. SUSPENSION

The membership rights of any person whose interest in the properties is subject to assessments under this Article, whether or not he be personally obligated to pay such assessments, may be suspended by action of the Directors, during the period when the assessments remain unpaid; but, upon payment of such assessments, his rights, and privileges shall be automatically restored. After the Directors have adopted and published rules and regulations governing the use of common properties and facilities and the personal conduct of any person thereof, as provided in these Bylaws, they may, in their discretion, suspend the rights of any such members for violation of such rules and regulations for a period not to exceed SIXTY (60) days.

ARTICLE V VOTING RIGHTS

All Owners shall be entitled to one vote for each Apartment owned. When more than one person holds an interest, all such persons shall become Members. The vote for such Apartment shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Apartment, and fractional votes shall not be allowed. In the event more than one vote is cast for a particular Apartment, none of the votes shall be counted and said votes shall be deemed void.

ARTICLE VI
PROPERTY RIGHTS AND RIGHTS OF
ENJOYMENT OF COMMON PROPERTY

Section 1. MEMBERS

Each member shall be entitled to the use and enjoyment of the common properties and facilities as provided by Deed of Dedication and Declaration of Restriction applicable to the properties.

Section 2. DELEGATION OF USE

Any member may delegate his rights of enjoyment in the common properties and facilities to the members of his family who reside upon the properties or to any of his tenants who reside thereon. Such members shall notify the Secretary in writing of the name of any such person and of the relationship of the member to such person. The rights and privileges of such person are subject to suspension to the same extent as those of the member delegating the right of enjoyment.

ARTICLE VII
ASSOCIATION PURPOSES AND POWERS, RIGHTS AND
DUTIES OF ASSOCIATION AND ITS MEMBERS

Section 1. The purposes for which the Association has been organized are set forth in Article VII of the Articles of Incorporation.

Section 2. The Association and its members shall have all the powers, rights, duties and obligations set forth in the Articles of Incorporation for the Association, these Bylaws, rules and regulations pursuant thereto, and recorded restrictions of the property, and as any of the same may be duly adopted or amended.

ARTICLE VIII
DIRECTORS

Section 1. NUMBER

The authorized number of Directors of the corporation shall be FIVE (5) until changed by amendment of the Articles of Incorporation or by a Bylaw duly adopted by the members amending this Section of Article VIII of the Bylaws.

Section 2. ELECTION

The term of the Directors shall be two (2) years or until their successors are duly chosen and qualify. The Directors shall be elected at the annual meeting of members to be held each year.

Section 3. REMOVAL

Any Director may be removed from the Board, with or without cause, by a majority of the members of the Association. In the event of death, resignation, or removal of a Director, such vacancy may be filled by the affirmation vote of a majority of the remaining Directors even though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall serve for the unexpired term of his predecessor.

Section 4. 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.

Section 5. 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 IX NOMINATION AND ELECTION OF DIRECTORS

Section 6. NOMINATION

Nomination for election to the Board of Directors may be made by a Nominating Committee and/or Nominations may also be made from the floor at the annual meeting. A Nominating Committee shall consist of a Chairman, who shall be a member of the Association. A Nominating Committee may 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. A Nominating Committee may 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. Such nominations may be made from among members only.

Section 7. ELECTION

Election to the Board of Directors shall be by secret written ballot. At such election each member entitled to vote shall have the right to vote, in person or by proxy, one vote for each Apartment owned by him for as many persons as there are directors to be elected. The persons receiving the largest number of votes shall be elected.

ARTICLE X
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall have power:

- a) To call special meetings of the members whenever it deems necessary and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership, as provided in Article XIV, Section 2.
- b) To appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these Bylaws shall be construed to prohibit the employment of any Member, Officer or Director of the Association in any capacity whatsoever.
- c) To establish, levy and assess, and collect the assessments or charges referred to in Article IV, Section 2.
- d) To adopt and publish rules and regulations governing the use of the Common Properties and facilities and the personal conduct of the members and their guests thereon.
- e) To exercise for the Association all powers, duties and authority vested in or delegated to this Association, except those reserved to members in the covenants.
- f) In the event that any member of the Board of Directors of this Association shall be absent from Three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent Director to be vacant.

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

- a) To cause to be kept a complete record of all 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 is requested in writing by one-fourth (1/4) of the voting membership, as provided in Article XIV, Section 2.
- b) To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.
- c) As more fully provided in Article VI, Section F of the Declaration of Covenants applicable to the Properties:
 - (1) To fix the amount of the assessment against each lot for each assessment period at least 30 days in advance of such date or period and, at the same time.
 - (2) To prepare a roster of the properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any member, and at the same time;

- (3) To send written notice of each assessment to every owner subject thereto.
- d) To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid.
- e) To procure and maintain adequate liability and hazard insurance on property owned by the Association.
- f) To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and
- g) To cause the Common Area to be maintained.

ARTICLE XI MEETINGS OF DIRECTORS

Section 1. REGULAR MEETINGS

The first Board of Directors shall meet annually and thereafter, regular meetings of the Board of Directors shall be held bi-monthly with notice or additional, as deemed necessary, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meetings 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 MEETING

Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. WAIVERS

The transaction of any business at any meeting of the Board of Directors, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice if a quorum is present.

The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he 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 such duties 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 in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he 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 of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

The duties of the offices are as follows:

President

a) 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 leases, mortgages, deeds, promissory notes and other written instruments and may co-sign all checks.

Vice President

b) The vice president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of 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; service 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 shall perform such other duties as required by the Board.

Treasurer

d) The treasurer shall supervise the receipt, deposit, and disbursement of all monies of the Association as directed by the Board of Directors and shall sign all promissory notes of the Association; shall supervise the keeping of proper books of account; and cause a periodic review of the books to be made by a public accountant not less than once every three years. The treasurer shall prepare an annual budget and a statement of income and expenditures to be

presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE XIII COMMITTEES

Section 1. OPTIONAL COMMITTEES

The Board of Directors may appoint a Nominating Committee, as provided in these Bylaws, and in addition, may appoint other committees as deemed appropriate in carrying out the purposes of the Association.

Section 2. DUTIES

It shall be the duty of each committee to receive complaints from members on any matter involving Association functions, duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director or officer of the Association as is further concerned with the matter presented.

ARTICLE XIV MEETINGS OF MEMBERS

Section 1. ANNUAL MEETINGS

Regular annual meetings of members shall be held.

Section 2. SPECIAL MEETINGS

Special meetings of the members may be called at any time by the president or by 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 entire membership.

Section 3. NOTICE OF MEETINGS

Notice of any meetings shall be given to the members by the Secretary. Notice may be given to the member either personally, or by sending a copy of the notice through the mail, postage thereon fully prepaid to his address appearing on the books of the corporation. Each member shall register his address with the Secretary, the notice of meeting shall be mailed to him at such address. Notice of any meeting, regular or special, shall be mailed at least fifteen (15) days in advance of the meeting and shall set forth in general the nature of the business to be transacted, provided however, that if the business of any meeting shall involve an election of any action governed by the Articles of Incorporation or by the Declaration of Reservations applicable to the Properties, notice of such meetings shall be given or sent as therein provided.

Section 4. QUORUM

The presence at the meeting of members entitled to cast, or of proxies to cast, one-half (1/2) of the votes of the membership shall constitute a quorum for any action governed by these Bylaws. Any action governed by the Articles of Incorporation or by the Declaration of Reservations applicable to the Properties shall require a quorum as therein provided.

ARTICLE XV
PROXIES

Section 1. VOTE BY PROXY

At all corporate meetings of members, each member may vote in person or by proxy.

Section 2. TERMINATION

All proxies shall be in writing and filed with the Secretary. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by the member of his lot or other interest in the Properties.

ARTICLE XVI
BOOKS AND PAPERS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to the inspection of any members.

ARTICLE XVIII
AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the members, by a vote of a quorum of the members present in person or by proxy, provided that those provisions of these Bylaws which are governed by the Articles of Incorporation of this Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration applicable to the Properties may not be amended except as provided in such Declaration.

Section 2. 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 in the Declaration applicable to the Properties referred to in Section 1 and these Bylaws, the said Declaration shall control.