

BYLAWS

OF

HEARTHSTONE CONDOMINIUM HOMEOWNERS ASSOCIATION

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BYLAWS
OF
HEARTHSTONE CONDOMINIUMS HOMEOWNERS ASSOCIATION

ARTICLE I

SCOPE OF REGULATIONS

Section 1.1. Identification of the Property. These Bylaws ("Bylaws") shall relate solely to the premises called Hearthstone Condominiums, a condominium project (hereinafter referred to as "the Project"), and to the governing body of that Project, the Hearthstone Condominium Homeowners Association (hereinafter referred to as the "Association").

Section 1.2. Definitions. The terms used herein shall have the same definition as such terms have in the Declaration of Covenants, Conditions and Restrictions for Hearthstone (hereinafter referred to as "the Declaration") and the Nevada Condominiums Act, Chapter 117, Nevada Revised Statutes ("Act"), unless otherwise defined herein. In the event of inconsistencies in definitions between the Act and the Declaration, the Declaration shall control.

Section 1.3. Incorporation of Statutory Law. Except as expressly provided herein, in the Declaration, or in the Act, the Association shall be governed by the provisions of the Nonstock, Nonprofit Cooperative Corporations Law of the State of Nevada (N.R.S. §§81.410-81.540, inclusive), as amended from time to time (hereinafter referred to as "Corporation Law").

ARTICLE II

HOMEOWNERS ASSOCIATION

Section 2.1. Membership. The Association is a Nevada nonprofit corporation established on a nonstock basis, all the members of which are the

Unit Owners of the Project. The Declarant, being the initial owner of all Units, shall initially constitute all of the members of the Association. A person shall automatically become a member of the Association at the time he acquires legal title to his Unit and he shall continue to be a member so long as he continues to hold title to such Unit. A Unit Owner shall not be permitted to resign from membership in the Association prior to the time at which he transfers title to his Unit to another. No membership may be transferred in any way except as an appurtenance to the transfer of title to the Unit to which that membership pertains. Transfer of membership shall be automatic upon transfer of title, but the Association may treat the prior Unit owner as the member for all purposes until satisfactory evidence of the recording of the instrument transferring title shall be presented to the Secretary of the Board of Directors (hereinafter referred to as "the Board"). The date of recordation of an instrument of conveyance in Clark County, Nevada, shall be determinative of all disputes concerning the date of transfer of title to any Unit or Units.

Section 2.2. Meetings. Meetings of the Association shall be held in the following time, place and manner:

(a) Time and Location.

(1) Election Meetings. Unit Owners shall hold election meetings at the times specified in Section 2.2(a)(2) for the purpose of electing members of the Board pursuant to Section 3.1 hereof.

(2) Annual Meetings. Unit Owners shall hold Annual Meetings for the purposes stated in Section 2.2(b) hereof (hereinafter the "Annual Meeting"). The first Annual Meeting of Unit Owners shall be held on the first Monday of the first full month after control of the Association has been turned over to the Unit Owners, unless such date shall be a legal or religious

holiday, in which event the meeting shall be held on the next following day. Thereafter, the Association shall hold an Annual Meeting on the first Monday of April of each year at 8:00 p.m. or at such other time and dates as the Board may determine but not more than one hundred twenty (120) nor less than sixty (60) days after the end of the Association's fiscal year. Special meetings may be called at any reasonable time and from time to time if requested by at least two (2) members of the Board or (after conveyance of 75% of the Units to Unit Owners other than a Declarant) if Unit Owners who are entitled to cast at least twenty-five percent (25%) of the votes of all members of the Association shall send a written request to the Board to call such meeting (hereinafter referred to as a "Special Meeting"). The Board shall hold such meetings not less than twenty (20) days or more than thirty (30) days after receipt of such request. Both Annual and Special Meetings of the Association shall be held at the Project or at such other suitable place in the vicinity of the Project convenient to the Unit Owners as may be specified by the Board in the notice thereof.

(b) Purpose and Business. Annual Meetings of the Association shall be called to elect the members of the Board unless such action is being taken pursuant to the provisions of Section 2.2(f) hereof or Section 3.4 hereof, and to conduct such other business as may be required or permitted by law, the Declaration, or these Bylaws to be done by a vote of Unit Owners. The Treasurer of the Board shall present at each Annual Meeting a financial report (prepared and certified by an independent certified public accountant) of the receipts and the Common Expenses, for the Association's immediately preceding fiscal year, itemizing receipts and expenditures, the allocation thereof to each Unit Owner, and any changes expected for the

present fiscal year. A copy of such financial report shall be sent to each Unit Owner not less than ten (10) days prior to the Annual Meeting. Special Meetings of the Association shall be called for the purpose of considering matters which shall be required or permitted by law, the Declaration or these Bylaws to be done by a vote of the Unit Owners. No business shall be transacted at a Special Meeting other than as specified in the notice thereof.

(c) Notice. Notices to Unit Owners of meetings of the Association or meetings of the Board which Unit Owners who are not Board members are entitled or invited to attend pursuant to Section 3.2(e) hereof, shall be delivered either by hand or by prepaid mail to the mailing address of each Unit or to another mailing address designated in writing by the Unit Owner to the Board. All such notices shall be delivered to all Unit Owners not less than ten (10) nor more than forty five (45) days in advance of the date of the meeting to which the notice relates and shall state the date, time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws. The Secretary of the Board shall cause all such notices to be delivered as aforesaid. Notices sent by mail shall be deemed to have been delivered on the second day after the date of mailing, in the case of mailed notices or the date of deposit in the Unit Owner's mailbox in the case of hand delivery. No subject may be dealt with at any Annual or Special Meeting of the Association unless the notice for such meeting stated that such subject would be discussed at such meeting.

(d) Quorum. No official business may be transacted nor may any binding vote be taken at any meeting of the Association, either Annual or Special, unless a quorum of Unit Owners is present in person or by proxy. A quorum shall exist if Unit Owners together entitled to cast more than fifty percent (50%) of the votes of all Unit Owners are present at the meeting.

If a quorum is not present at any meeting, the Unit Owners present may reschedule the meeting for a later date and so give all Unit Owners notice thereof in accordance with provisions of Section 2.2(c) hereof. If no quorum is present at such second meeting, the notice procedure shall be repeated if the Unit Owners present decide to call a third meeting. The quorum at such third meeting shall be deemed present throughout any meeting of the Association if persons entitled to cast 20% of the votes which may be cast for the election of the Board are present in person or by proxy at the beginning of the meeting.

(e) Voting. At any meeting of the Association the votes of the Unit Owners shall be calculated in accordance with the Declaration. Except as otherwise provided by law, the Declaration or these Bylaws, acts of the Association which require the approval of the Unit Owners shall require the approval of the Unit Owners together entitled to cast in excess of 50% of the votes of all Unit Owners present in person or by proxy at a meeting of the Association at which a quorum of Unit Owners is present in person or by proxy ("Majority"). Votes shall be cast in the following manner:

Not in compliance

(1) Proxies. Unit Owners may cast their votes either in person or by proxy. Any such proxy shall be in writing, bear a notary's seal, and shall be delivered to the Board at least twenty four (24) hours prior to the beginning of such meeting for which the proxy has been given. Such proxy shall become void, in addition to those situations provided for in the Act, when the Board receives written notice of the death or judicially declared incompetence of the grantor of such proxy or of the recording of the deed evidencing the transfer of the title to the Unit from the grantor of such proxy.

(2) Voting List. The persons or entities from time to time entitled to exercise the voting rights appurtenant to the Units shall be those shown at the time of reference on a voting list to be continuously maintained by the Secretary, which list shall be closed for each meeting at the close of business on the business day next preceding the meeting date. That list shall reflect the Percentage Interests of each Unit Owner. In cases where a partnership, corporation or association is, or more than one fiduciary or tenants-in-common, joint tenants or tenants by the entireties are, the Unit Owner, such Unit Owner shall designate one or more partner, corporate officer, associate, fiduciary or co-owner as those entitled to exercise the voting rights appurtenant to the Unit, which designation shall be reflected on such voting list and shall be controlling until canceled or superseded by such Unit Owner. If only one co-owner of a Unit which is subject to multiple ownership is present or represented by proxy at any meeting of the Association, such co-owner or the holder of his proxy, shall be entitled to cast at such meeting all votes appurtenant to such Unit. All of the votes allocated to a Unit must be voted unanimously and if the owners of a Unit or the designees of the owners of a Unit are unable to agree upon how such votes shall be cast on a particular question, such votes may not be cast and the owners of such Unit shall be deemed to be present at such meeting for the purposes of determining the presence of a quorum only, but for purposes of determining the result of the vote on such question shall not be deemed to be present or voting at the meeting. If any proposal being voted upon by the Association requires the unanimous consent of Unit Owners, all votes not voted pursuant to the preceding sentence shall be deemed to have been voted in favor of such proposal. Where a Unit is held in a fiduciary capacity, the fiduciary rather than the beneficiary shall be entitled to exercise the

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appurtenant voting rights. The voting list shall be kept at the Project and may be inspected during regular business hours by any Unit Owner or purchaser, and it shall be produced and kept open to like inspection throughout each meeting of the Unit Owners.

(3) Election of Board Members. In all elections for Board members, each Unit Owner shall be entitled to cast the number of votes equal to the product of the number of Board members to be elected multiplied by the number of votes allocated to each Unit pursuant to the Declaration (but cumulative voting shall not be permitted). Those candidates for election receiving the greatest number of votes cast in such elections shall be elected and if Board members are being elected to unequal terms, the candidates receiving the highest number of votes shall be elected to the longest terms.

(f) Actions of Association without a Meeting. Any action required or permitted to be taken by a vote of the Association may be taken without a meeting by the written consent, stating the action so taken, of at least that number of Unit Owners whose votes would have otherwise been sufficient to take the action if a meeting had been held at which all Unit Owners were present.

(g) Conduct of Meetings. Meetings of the Association shall be conducted under such reasonable rules consistent with these Bylaws as the Board may adopt. The Board is hereby authorized to promulgate such rules.

Section 2.3. Notices. All notices and other communications to either the Association or the Board shall be addressed to such body at the office of the Association, 417 Barrett Street, Henderson, Nevada 89015, or to such other address as the Board may have designated by written notice to all of the Unit Owners.

Section 2.4. Fiscal Year. The fiscal year of the Association shall be January 1 to December 31, unless changed by resolution of the Board.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1. Composition. The Board shall consist of ~~five~~ (5) natural individuals except for the first Board which shall consist of three (3) natural individuals. Each member shall be at least 18 years of age and following the transfer of control of the Association to the Unit Owners from the Declarant, ~~all of the Board Members must be Unit Owners.~~ The members of the first Board shall be persons designated as such in the Articles of Incorporation of the Association and shall serve until their successors are appointed or elected, whichever is applicable. Notwithstanding the foregoing, the members of the first Board reserve the right to resign at any time and the Declarant shall have the right to remove and replace any or all such members appointed by the Declarant at any time and from time to time. Except for the filling of such vacancies and those as set forth in Section 3.4 hereof, but in no event until after control of the Association has been turned over to the Unit Owners, each member of the Board shall thereafter be elected by the Association, at the Annual Meetings of the Association, for a one (1) year term. Board members shall serve until the earlier to occur of the election of their respective successors or their death, adjudication of incompetency, removal, or resignation. Board members may serve an unlimited number of terms, successive or otherwise.

Section 3.2. Meetings. Meetings of the Board shall be held at the following time, place and manner:

(a) Time and Location. The Board shall hold an annual meeting within ten (10) days following the Annual Meeting of the Association for the

100k purpose of electing officers, as more fully set forth in Article IV hereof, and for any other purpose which may be required or permitted by law, the Declaration or these Bylaws to be done by a vote of the Board. The Board shall hold meetings at the call of the President or upon request to the President of the Board by at least a majority of the members of the Board; provided however that:

(1) In any event, the Board shall meet at least three (3) times each fiscal year in addition to the annual meeting of the Board;

(2) The first such Board meeting shall be held promptly after the date on which the Declaration is recorded; and

(3) There shall be a meeting of the Board during the second full calendar week of the last month of each fiscal year for the purpose of adopting the budget of the Association for the next following fiscal year of the Association.

The President shall call any Board meeting requested by a majority of the members of the Board for a date occurring not less than five (5) nor more than twenty (20) days after receipt of such request. The President shall designate the time and location of Board meetings. No business shall be transacted at Board meetings other than as specified in the notice thereof.

(b) Notice. Not less than forty eight (48) hours prior to the time of any Board meeting, a written notice stating the date, time and place of such meeting shall be delivered, either by hand or by mail or telegram, to each Board member at the address given to the Board by such Board member for such purpose. Any Board member may waive notice of a meeting, or consent to any action of the Board without a meeting. A Board member's attendance at a meeting shall constitute his waiver of notice of such meeting.

(c) Quorum. A majority of the members in office shall constitute a quorum at any meeting of the Board, and the act of a majority of the members at a meeting at which a quorum is present at the beginning of such meeting shall be the act of the Board. If less than a quorum is present at the beginning of any meeting, a majority of those present may adjourn the meeting from time to time, and at any adjourned meeting at which a quorum is present any business may be transacted which could have been transacted at the meeting originally called, without further notice.

(d) Voting. Each Board member shall be entitled to cast one vote. A vote of in excess of 50% of the members of the Board present at any meeting at which a quorum is present shall bind the Board for all purposes unless otherwise provided in the Declaration or these Bylaws.

(e) Organization. Board meetings may be held under such reasonable rules consistent with these Bylaws as the Board may determine. The Board is hereby entitled to promulgate such rules. All Unit Owners shall have the right to attend Board meetings. The Secretary of the Board shall give notice of such meetings to all members by posting a Notice of Meeting at three (3) conspicuous locations at the Project not less than forty eight (48) hours prior to the time scheduled for the Board Meeting.

Section 3.3. Resignation and Removal. Any member of the Board may resign from the Board at any time by written notice to the Board. Except as hereinafter provided, any member (other than members designated by Declarant under Section 3.1 hereof, who may be removed and replaced only by the Declarant, which removal and replacement may occur at any time and from time to time) may be removed from the Board with or without cause by a vote for such removal by Unit Owners entitled to cast at least fifty percent (50%) of the votes of all members of the Association, such votes having been

cast at any meeting of the Association the notice for which shall contain the name of each member of the Board whose removal is being sought.

Section 3.4. Vacancies. Any vacancy or vacancies on the Board, whether caused by resignation, removal, death, adjudication of incompetency, or an increase in size of the Board, shall be filled by the Board with an interim appointee who shall serve until the next Annual Meeting of the Association at which time such vacancy may be filled by the vote of a majority of the Unit Owners; provided, however, that until the control of the Association has been turned over to the Unit Owners, the Declarant shall have the exclusive right to fill any vacancy created by the resignation or removal of a Board member; and further provided that if the Declarant does not exercise its right to fill such vacancy within ten (10) days after such vacancy occurs, such vacancy shall be filled by the Board and the Unit Owners in the manner provided in this Section 3.4. If the vacancy results from removal by the Association, the election of a new member or members may be held at the same meeting where such removal takes place and notice of an election for removal shall be considered notice of an election to fill each vacancy so caused. The vote of more than fifty percent (50%) of the Unit Owners present at such meeting in person or by proxy shall cause the postponement of the election to a later date, but if such vacancy is not filled within sixty (60) days after it occurs, the Board shall promptly thereafter elect a replacement.

Section 3.5. Compensation. No member of the Board shall receive compensation for performing his duties as a member of the Board unless such compensation is expressly authorized or approved by a vote of more than fifty percent (50%) of the votes of all Unit Owners, at any Annual or Special Meeting of the Association.

ARTICLE IV

OFFICERS

Section 4.1. Election. At the first meeting of the Board, and at every Annual Meeting of the Board thereafter the Board members shall, if a quorum is present, elect Board officers of the Association for the following year, such officers to serve for a one (1) year term and until their respective successors are elected. The officers to be elected are: President, Secretary, Treasurer and such other officers as the Board may from time to time find necessary or desirable. All officers shall be members of the Board and each officer may serve an unlimited number of terms so long as such member or officer continues to be re-elected to the Board. Any member may hold two offices simultaneously, except that the President shall not hold any other office.

Section 4.2. Duties. The duties of the officers shall be as follows:

(a) President. The President shall be the chief executive officer of the Association and the chairperson of the Board. The President shall be responsible for implementing the decisions of the Board and in that capacity shall direct, supervise, coordinate and have general control over the affairs of the Association and the Board, subject to the limitations of the laws of the State of Nevada, the Project documents, including but not limited to the Declaration and these Bylaws, and the actions of the Board. The President shall have the power to sign checks and other documents on behalf of the Association and the Board, or both, with or without the signatures of any other officers as may be determined by the Board. The President shall preside at all meetings of either body at which he is in attendance and shall be a member of all committees. If the President is absent from such meeting the senior officer of the Association present at such meeting shall preside.

and in the absence of any such officer, the body holding the meeting shall elect a person to preside. If the Board so provides, the President shall also have any or all of the powers and duties ordinarily attributable to the chief executive officer of a corporation domiciled in Nevada.

(b) Secretary. Unless otherwise determined by the Board, the Secretary shall keep or cause to be kept all records (or copies thereof if the original documents are not available to the Association) of the Association and the Board shall have the authority to affix the seal of the Association to any documents requiring such seal. The Secretary shall give or cause to be given all notices as required by law, the Declaration or these Bylaws, shall take and keep or cause to be taken and kept minutes of all meetings of the Association, the Board and all committees, and shall take and keep or cause to be taken and kept at the Association's office a record of the names and addresses of all Unit Owners and the voting lists referred to in Section 2.2(e)(2) hereof as well as copies of the Declaration, the Plats and Plans, these Bylaws and the Rules and Regulations, all of which shall be available at the office of the Association for inspection by Unit Owners or prospective Unit Owners during normal business hours and for distribution to them. The Secretary shall keep or cause to be kept the register of eligible mortgage holders, eligible insurers and eligible guarantors. The Secretary shall also perform all duties and have such other powers as are ordinarily attributable to the Secretary of a corporation domiciled in Nevada.

(c) Treasurer. Unless otherwise determined by the Board, the Treasurer shall have the charge and custody of, and be responsible for, all funds and securities of the Association, shall deposit or cause to be deposited all such funds in such depositories as the Board may direct, shall keep or cause to be kept correct and complete accounts and records of all financial

transactions of the Association and the Board and shall submit or cause to be submitted to the Board and the Association such reports thereof as the law, the Declaration, the Board, or these Bylaws may from time to time require. Such records shall include, without limitation, chronological listings of all receipts and expenditures on account of the Common Areas, Limited Common Areas and Facilities and each Unit, the amount of each assessment for Common Expenses and expenses assessable to individual Units, if any, and the amount paid and the amounts due on such assessments. Such records shall specify and itemize the maintenance, repair and replacement expenses relating to the Common Areas and the Limited Common Areas and Facilities and any other expenses incurred by the Association. The foregoing financial records shall be kept at the Association's office or at the office of the Association's Manager and shall be available for inspection by Unit Owners or prospective Unit Owners during normal business hours. The Treasurer shall also perform such duties and have such powers as are ordinarily attributable to the Treasurer of a corporation domiciled in Nevada.

(d) Vice-Presidents and Assistant Officers. Unless otherwise determined by a resolution of the Board, any Vice-President and any assistant officer shall have the powers and perform the duties of his respective superior officer, the President being any Vice-President's superior officer, the Secretary being any Assistant Secretary's superior officer and the Treasurer being any Assistant Treasurer's superior officer.

Section 4.3. Compensation. The officers of the Board shall serve without compensation for their services in such capacity unless such compensation is expressly authorized or approved by a vote of more than fifty percent (50%) of the votes of all Unit Owners, at any Annual or Special Meeting of the Association.

Section 4.4. Resignation and Removal. Any officer may resign at any time by written notice to the Board, such resignation to become effective at the next Board meeting. Any officer who ceases to be a member of the Board for any reason shall also be deemed to have resigned or been removed, ipso facto, from any Board office he may have held. Any officer may be removed from his office at any time by a majority vote of the Board whenever in the judgment of the Board members the interests of the Association will be best served thereby, or by the vote of the Association with or without cause, in the same manner as set forth for the removal of Board members in Section 3.3 hereof.

Section 4.5. Vacancies. Vacancies caused by resignation, removal or creation of new officers may be filled by a majority vote of the Board members, if the vacancy resulted from action of the Board. If, however, the vacancy resulted from action by the Association, such vacancy shall be filled in the same manner as set forth in Section 3.4 hereof for filling Board vacancies.

ARTICLE V

POWERS AND DUTIES OF THE BOARD

Section 5.1. Enumeration. Subject to the limitations and restrictions contained in the Act, the Declaration or herein, the Board shall on behalf of the Unit Owners have all powers and duties necessary to administer and manage the business, operation and affairs of the Project and of the Association. Such powers and duties of the Board include, by way of illustration, but are not limited to the following:

(a) The operation, maintenance, repair, improvement and replacement of the Common Areas and, if necessary, the Limited Common Areas and Facilities;

(b) The determination of the Common Expenses and Limited Common Areas and Facilities expenses;

(c) The assessment, collection and payment of the Common Expenses and Limited Common Area and Facilities expenses;

(d) The promulgation, distribution and enforcement of the Rules (including assignment of carport, parking and storage space to Unit Owners);

(e) The power to engage and dismiss employees and to appoint and dismiss agents which the Board deems necessary for the management of the business, operation and affairs of the Project and of the Association, and to define their duties and fix their compensation;

(f) The power to enter into and to perform under contracts and any amendments thereto or replacements thereof, deeds, leases and other written instruments or documents on behalf of the Association and to authorize the execution and delivery thereof by its officers or assistant officers;

(g) The opening and maintaining of bank accounts on behalf of the Association and designating the signatures therefor;

(h) The power to purchase, hold, sell, convey, mortgage or lease any one or more Units on behalf of the Association or its designee pursuant to the Act or these Bylaws;

(i) The power to bring, prosecute, defend and settle litigation for and against itself, the Association and the Project, and to pay any adverse judgment entered therein, provided that it shall make no settlement which results in a liability against the Board, the Association or the Project in excess of \$5,000.00 without the prior approval of more than fifty percent (50%) of the Unit Owners;

(j) The obtaining of insurance pursuant to the Act or the Declaration;

(k) The power to repair or restore the Project following damage or destruction or a permanent taking by the power of or a power in the nature of eminent domain or by an action or deed in lieu of condemnation, as provided herein;

(l) The power to own, purchase, lease, hold and sell or otherwise dispose of, on behalf of the Unit Owners, items of personal property necessary to or convenient in the management of the business and affairs of the Association and the Board and in the operation and management of the Project, including without limitation, furniture, furnishings, fixtures, maintenance equipment, appliances and office supplies;

(m) The duty to keep adequate books and records as required by the Act, the Declaration or these Bylaws; and

(n) The power to borrow money on the credit of the Association to obtain funds for any expenditure which may be made by the Board or Association.

The Board may appoint various committees composed of members of the Board and/or Unit Owners to make recommendations to the Board with respect to the exercise of powers and duties conferred upon the Board by the Act, the Declaration, these Bylaws or the Rules and Regulations adopted by the Board.

Section 5.2. Limitation.

(a) Except as otherwise provided in these Bylaws, the Board may, pursuant to resolution duly adopted and subject to the right of the Unit Owners to reject capital expenditures if provided in the Act, cause to be effected any additions, alterations, improvements, maintenance and repairs to

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the Common Areas and Limited Common Areas and Facilities it deems necessary or desirable, provided that in each case where the cost of any single item of addition, alteration, improvement or non-essential maintenance or repair is estimated by the Board to exceed \$5,000.00, it shall have received the prior approval by resolution duly adopted at any meeting of Unit Owners. If such item of addition, alteration, improvement or non-essential maintenance or repair, if made, would be the basis for a limited common area expense, only those Unit Owners who would be subject to assessment for such limited common area expense shall have the right to vote on the resolution for approval, and Unit Owners not so subject shall, for purposes of ascertaining such approval, be deemed to be present at the meeting at which such resolution is considered for purposes of obtaining the necessary quorum, but not for purposes of determining the number of votes required to approve such resolution.

(b) Nothing in this Article or elsewhere in these Bylaws shall be considered to grant to the Board or to the officers of the Association any powers or duties which, by law, are possessed exclusively by Unit Owners.

ARTICLE VI

BUDGET

Section 6.1. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated Common Expenses and cash requirements for the forthcoming year (including, by way of illustration and not limitation, reserves, salaries, wages, payroll and other applicable taxes, legal and accounting fees, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power, and all other Common Expenses) as deemed necessary by the Board. The annual budget

shall also take into account the estimated net available cash income for the year, if any, from the operation or use of the Common Areas and Limited Common Areas and Facilities. To the extent that the assessments and other cash income collected from the Unit Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account.

ARTICLE VII

REPAIR OR RECONSTRUCTION

Section 7.1. Restoration of Project out of Common Expense Fund.

Damage to or destruction of the Project shall be promptly repaired and restored by the Association in accordance with the provisions of the Declaration. The Board shall be responsible for accomplishing the full repair or reconstruction. The disbursements of funds for such repair or reconstruction shall, at the option of the Board, be made only as the work progresses upon approval of a qualified architect who shall have furnished a description satisfactory to the Board of the costs involved and the services and materials to be furnished by the contractors, subcontractors and materialmen. If any physical changes are made to any restored Unit, the Common Areas or the Limited Common Areas and Facilities, or any combination of them, which renders inaccurate the Plats and Plans which are then of record, the Board shall record amended Plats and Plans showing such changes.

ARTICLE VIII

CONTRACTUAL POWERS

Section 8.1. Validity of Contracts with Interested Board Members. No contract or other transaction between the Association and one or more of its Board members or between the Association and any corporation, firm, or

association in which one or more of the Board members of the Association are directors or officers, or are financially interested, shall be void or voidable because such Board member or members are present at any meeting of the Board or a committee thereof which authorized or approved the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) The fact that a Board member is also such a director or officer or has such financial interest is disclosed or known to the Board or committee and is noted in the minutes hereof, and the Board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Board member or members; or

(b) The contract or transaction is made in good faith and is not unconscionable to the Association at the time it is authorized, approved or ratified.

Section 8.2. Inclusion of Interested Board Members in the Quorum.

Any Board member holding such director or officer position or having such financial interest in another corporation, firm or association may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves or ratifies a contract or transaction of the type described in Section 8.1 hereof.

Section 8.3. Terms of Management Contracts.

(a) If and when required by any one or more of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Veterans Administration or the Department of Housing and Urban Development, or their respective successors, any agreement for professional management of the Project on behalf of all Unit Owners:

(1) Shall be terminable by the Board for cause upon not more than thirty (30) days' written notice hereof;

(2) Shall be terminable by either party without cause (and without payment of any termination fee) upon not more than ninety (90) days' written notice; and

(3) Shall have a term which does not exceed three (3) years.

(b) The Board and/or the officers of the Association may delegate one or more of the following duties to a managing agent employed by the Board:

(1) Collection of assessments due from Unit Owners, rents due from users or lessees of the Common Areas or Limited Common Areas and Facilities, and all sums due from concessionaires (if any) in consequences of the authorized operation of facilities in the Project maintained primarily for the benefit of the members of the Association.

(2) Interviewing, hiring, paying, supervising and discharging of the personnel necessary to be employed in order to maintain and operate the Common Areas and Limited Common Areas and Facilities. If and when requested by the Board, the Managing Agent shall negotiate, on behalf of the Association, collective bargaining Agreements with unions representing any of the foregoing persons.

(3) Maintenance of minute books of the Board and the Association, transmittal of notices of meetings of the Association or the Board, recordation of minutes of such meetings and maintenance records required to be kept by the Board pursuant to the Declaration.

(4) Preparation and filing with the appropriate body, in the name of the Association, of all forms, reports and returns required with respect to the Association's employees and performance of all acts of an employer required by law with respect to the Association's employees.

(5) Collection of all charges, assessments or rents which may at any time become due to the Association, by way of legal process or as may be required for the collection of delinquent assessments from the Owners or otherwise.

(6) Maintenance of the Common Areas and Limited Common Areas and Facilities in the Project.

(7) Contracting with respect to the Project for a period of less than one year and incurring liabilities of not more than \$5,000.00 for any single expenditure and maturing less than one year from the creation thereof.

(8) Compliance with orders and requirements affecting the Project from any Federal, State, County or municipal authority having jurisdiction thereover.

(9) Contracting for water, electricity, telephone, vermin extermination, trash, and other necessary services, or such of them as the Board may deem advisable.

(10) Placement of orders for such equipment, tools, appliances, materials and supplies as are necessary to properly maintain the Common Areas and Limited Common Areas and Facilities.

(11) Placement of and maintaining in effect all forms of insurance authorized by the Board.

(12) Disbursement of salaries or any other compensation due and payable to the employees of the Association, or to agents or independent contractors hired by or on behalf of the Association, and payment of any taxes, fire and other insurance premiums and amounts specified for allocation to any reserve fund for replacements or any general operating fund.

(13) Providing Unit Owners and eligible mortgage holders, eligible insurers and eligible guarantors with copies of Condominium or Project

documents and such notices to them as may be promulgated by the Board from time to time and enforcement of the Rules and Regulations relating to the operation and use of the Common Areas (including, but not limited to, the Limited Common Areas and Facilities).

(14) Establishment and maintenance, in a matter which indicates the custodial nature thereof, of one or more separate accounts for the deposit of monies of the Association.

(15) Complying with the Board's responsibilities to eligible mortgage holders, eligible insurers and eligible guarantors under the Declaration.

ARTICLE IX

SEPARATE REAL ESTATE TAXES

Section 9.1. Assessments Against Individual Units. In the event that, during the taxable period during which occurs the first conveyance of a Unit to a person other than the Declarant, real estate taxes are not separately assessed against each Unit Owner, but rather are assessed against the Project as a whole, then each Unit Owner (including the Declarant, as to the Units then owned by it) shall pay his proportionate share thereof in accordance with his respective Percentage Interest in the Common Areas.

ARTICLE X

PARKING

Section 10.1. Authority of Board to Manage. The Board shall have the full authority to operate, manage and supervise the use of the carports and parking spaces which are part of the Common Areas and Limited Common Areas of the Project for and on behalf of all Unit Owners.

ARTICLE XI

OWNERSHIP OF UNITS BY THE ASSOCIATION

Section 11.1. Purchase of Units by the Association. Except as otherwise stated herein, the Board may, on behalf of the Association, in its own name or the name of its designee, purchase or otherwise acquire and hold title to any Unit or any interest therein only as a result of enforcement of its lien for assessments or as a result of execution upon a judgment obtained in order to collect a delinquent assessment. The Association may borrow all or part of the funds necessary to effect any such purchase and may create a mortgage against the Unit to secure the borrowing. So long as the Association is the owner of any Unit so purchased it shall, in its own name or in the name of its nominee, have the power to hold, sell, convey, lease, mortgage as aforesaid and otherwise deal in and with the Unit, and in so doing it shall be acting on behalf of all other Unit Owners in accordance with their respective Percentage Interests as adjusted pursuant to Section 11.2 hereof.

Section 11.2. Effect of Ownership of Units by the Association. During the period when the Association has legal or beneficial title to a Unit: (i) the Percentage Interest of that Unit shall be deemed to be zero and the Percentage Interests of all other Units shall be deemed to be automatically adjusted to the nearest ten-thousandth of one percent, so as to allocate the Percentage Interest of that Unit among all other Units proportionately, and to produce adjusted Percentage Interests for all other Units totalling 100.0000%; (ii) all assessments for Common Expenses and Limited Common Area and Facilities Expenses and all taxes and municipal claims and charges assessed against the Unit shall be paid by the Board, and the amounts so paid together with all other expenses of purchasing, holding, selling, conveying,

mortgaging, leasing or otherwise dealing with the Unit shall constitute Common Expenses to be assessed against all other Unit Owners in accordance with such adjusted Percentage Interests; (iii) the voting rights appurtenant to the Unit shall be suspended and may not be exercised or counted for quorum purposes; (iv) no notice of any meetings of Unit Owners or of the Board nor notices of assessments, budgets or the like need be given in respect to that Unit; and (v) the rights and obligations of Unit Owners in the event of a termination pursuant to the Declaration shall be construed, allocated and borne as if such Unit were not included in the Property and in accordance with such adjusted Percentage Interests.

ARTICLE XII

AMENDMENTS

Section 12.1. General Requirements; Consent of Declarant, Unit Owners or Eligible Mortgage Holders; Curative Amendments to Bylaws. Except as otherwise provided in any one or more of these Bylaws, the Declaration or the Act, the provisions of these Bylaws may be amended by the vote of the Unit Owners to which at least 67% of the votes in the Association are allocated (i.e., 67% of the Percentage Interests), cast in person or by proxy at a meeting duly held in accordance with the provisions of these Bylaws; provided, however, that if such amendment shall make any change which would have a material effect upon any of the rights, privileges, powers and options of the Declarant such amendment shall require the joinder of the Declarant. Additionally, if any amendment is necessary in the judgment of the Board to cure any ambiguity or to correct or supplement any provision of these Bylaws that is defective, missing or inconsistent with any other provisions hereof, or with the Act or the Declaration, or if such amendment

is necessary to conform to the requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Veterans Administration or the Department of Housing and Urban Development, with respect to condominium projects, then at any time and from time to time the Board may effect an appropriate corrective amendment without the approval of the Unit Owners or the holders of any liens on all or any part of the Project, upon receipt by the Board of an opinion from independent legal counsel to the effect that the proposed amendment is permitted by the terms of this sentence. Each amendment of these Bylaws shall be effective upon its due adoption as aforesaid.

Section 12.2. Amendments to the Declaration. The Declaration may be amended pursuant to the provisions of the Act and the Declaration. The President or any Vice-President is empowered to prepare and execute any amendments to the Declaration on behalf of the Association and the Secretary or any Assistant-Secretary is empowered to attest, seal with the Association's corporate seal and record any such amendments on behalf of the Association.

ARTICLE XIII

SEVERABILITY; CONFLICTS

Section 13.1. Severability. The provisions hereof shall be deemed independent and severable, and the invalidity, partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision or portion thereof unless the deletion of such invalid or unenforceable provision shall destroy the uniform plan for development and operation of the condominium project which the Declaration (including the Plats and Plans) and these Bylaws are intended to create.

Section 13.2. Conflicts. The Act and the Declaration shall control in 29
in the case of any conflict between the provisions thereof and the provisions
of these Bylaws. The Act, the Declaration and these Bylaws shall control in
the case of any conflict between the provisions thereof and the provisions of
the Rules and Regulations.

ARTICLE XIV

CORPORATE SEAL

Section 14.1. Seal. The form of the seal of the Association, called
the corporate seal of the Association, shall be impressed adjacent hereto.

(form of seal)

ESTABLISHED AND ADOPTED by the undersigned, being the Declarant,
and all of the members of the First Board, this 8th day of
July, 1983.

By Declarant

U. S. HOME CORPORATION
a Nevada corporation

By

Tim Tennant
Tim Tennant, President

By the First Board:

Alan H. J. Yue

Carl W. Rowan, Jr.

Alan H. J. Yue
Carl W. Rowan, Jr.