

BYLAWS OF
STONE CANYON SAUSALITO HOMEOWNERS ASSOCIATION
A NEVADA NONPROFIT CORPORATION

ARTICLE I

NAME AND LOCATION

1.1. Name

The name of the corporation is STONE CANYON SAUSALITO HOMEOWNERS ASSOCIATION, a Nevada nonprofit corporation, its successors and assigns, hereinafter referred to as the "Association".

1.2. Location

The principal office of the corporation shall be located at the planned unit development project site in the City of Henderson, County of Clark, State of Nevada, but meetings of members and directors may be held at such places within the State of Nevada, County of Clark as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

2.1. Declaration

The "Declaration" shall mean the Declaration of Establishment of Covenants, Conditions, Restrictions for Stone Canyon Sausalito, as recorded in the Office of the County Recorder of Clark County, Nevada, as the same may be amended and/or supplemented.

2.2. Other Definitions

Each and every definition set forth in Article I of the Declaration, shall have the same meaning herein as therein and each and every such definition is incorporated herein by referenced thereto as if once again fully written and set forth herein at length.

ARTICLE III

MEETING OF MEMBERS

3.1. Annual Meetings

The organizational (first annual) meeting of members shall be held within forty-five (45) days after the close of escrow of the first lot in the project which represents the fifty-first (51st) percentile interest sold. Subsequent annual meetings of members shall be held within ten (10) days before or after the anniversary date of the organizational (first annual) meeting.

If the day for the annual meeting of members is a legal holiday, the meeting shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday.

3.2. 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 of all votes of the Class A membership.

3.3. Notice of Meetings

Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before the meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

3.4. Quorum

The presence at the meeting of members entitled to cast or the proxies entitled to cast, one-tenth of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as foresaid shall be present or represented.

3.4. 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 be revocable and shall automatically cease upon conveyance by the member of his lot.

ARTICLE IV

BOARD OF DIRECTORS

4.1. Number

The affairs of this Association shall be managed by a Board of five (5) directors, who need not be members of the Association.

4.2. Term of Office

At the organizational (first annual) meeting the members shall elect (2) directors for a term of one year; two (2) directors for a term of two years; and one (1) director for a term of three years.

4.3. Removal

Any director may be removed from the Board with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

4.4. 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.

4.5. 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 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

5.1. 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. The nominating committee shall consist of a chairperson who shall be a member of the Board and two (2) or more members of the Association. The nominating committee shall be appointed by the Board prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The nominating committee shall make as many nominations for election to the Board 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 among members or non-members.

5.2. Election

Election to the Board shall be by secret written ballot. At such election, the members or their proxies may cast with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

6.1. Regular Meetings

Regular meetings of the Board shall be held monthly, without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said 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.

6.2. Special Meetings

Special meetings of the Board shall be held when called by the president of the Association or by any two (2) directors, after not less than three (3) days notice to each director.

6.3. 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.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD

7.1. Powers

The Board shall have power to:

1. Adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of members and their guests thereon, and to establish penalties for the infraction thereof;
2. Suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any

assessments levied by the Association. Such rights may also be suspended, after notice and hearing, for a period not exceeding thirty (30) days for infraction of published rules and regulations;

3. Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles or the Declaration;
4. 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
5. Employ a manager, an independent contractor or such other employees as the Board deems necessary and to prescribe their duties.

7.2. Duties

It shall be the duty of the Board to:

1. 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 or at any special meeting when such statement is requested in writing by one-fourth of the Class A members who are entitled to vote;
2. Supervise all officers, agents and employees of the Association and to see that their duties are properly performed;
3. As more fully set forth in Article IV of the Declaration, to:
(i) fix the amount of the annual assessment against each lot at least sixty (60) days in advance of each annual assessment period; (ii) sent written notice of each assessment to every owner subject thereto at least sixty (60) days in advance of each annual assessment period; and (iii) foreclose the lien against any property for which assessments are not paid within thirty (30) days after the due date or to bring an action of law against the owner personally obligated to pay same;
4. Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for issuance of any such certificate. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

5. Procure and maintain adequate liability and hazard insurance on property owned by the Association, as more fully set forth in Article X of the Declaration;
6. Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
7. Cause the Common Area to be maintained.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

8.1. Enumeration of Officers

The officers of the Association shall be a president, a 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 by resolution create.

8.2. Election of Officers

The election of officers shall take place at the first meeting of the board following each annual meeting of members.

8.3. Term

The officers of the 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.

8.4. Special Appointment

The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, having such authority and perform such duties as the Board may from time to time determine.

8.5. Resignation and Removal

Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time, giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or any later time specified therein and unless otherwise specified therein, the acceptance of the resignation shall not be necessary to make it effective.

8.6. Vacancies

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

8.7. Multiple Officers

The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of the other offices, except in the case of special offices created pursuant to Section 8.4. of this Article VIII.

8.8. Duties

The duties of the officers are as follows:

President

The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

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

The secretary shall record the votes and keep 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 it; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association, together with their addresses and shall perform such other duties as required by the Board.

Treasurer

The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall co-sign all checks and promissory notes of the Association; keep proper books of account, cause an annual audit of Association books 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 expenditure to be presented to the membership at its regular meeting and deliver a copy of each to the members.

ARTICLE IX

COMMITTEES

The Association shall appoint an architectural control committee, as provided in Article V of the Declaration and a nominating committee, as provided in Article V of these By-laws. In addition, the Board shall appoint such other committees as deemed appropriate in carrying out its purposes.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles and these Bylaws shall be available for inspection by any member at the principal office of the Association where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in Article IV of the Declaration, each member is obligated to pay to the Association, annual and special assessments which are secured by a continuing lien upon the lot against which each such assessment is made. Any assessments which are not paid when due, shall be delinquent and if the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve per cent (12%) per annum and the Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the lot, and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein and in the Declaration by non-use of the Common Area or abandonment of his lot.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "STONE CANYON SAUSALITO HOMEOWNERS ASSOCIATION,".

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XIV

AMENDMENT


These Bylaws may be amended, at a regular or special meeting of the members by a vote of a majority of a quorum of members present in person or by proxy, except that so long as there is a Class B membership, any amendment to these By-Laws shall require the prior approval of the VA and FHA. A draft of any amendment shall be submitted to the VA for its approval prior to its approval by the membership of the Association.

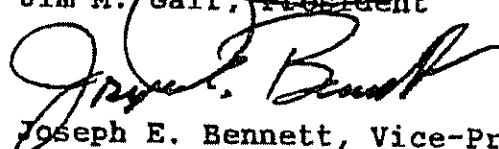
ARTICLE XV

CONFLICT

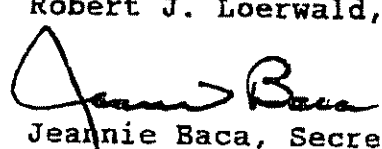
In the case of any conflict between the Articles and these Bylaws, the Articles shall control, and in the case of any conflict between the Declaration and the Bylaws, the Declaration shall control.

IN WITNESS WHEREOF, we, being all of the directors of STONE CANYON SAUSALITO HOMEOWNERS ASSOCIATION, INC., have hereunto set our hands this 30 th day of November , 1995.


Jim M. Gair, President


Joseph E. Bennett, Vice-President


Robert J. Loerwald, Treasurer


Jeannie Baca, Secretary