

**AMENDED AND RESTATED
BYLAWS
OF
TERRASANO
HOMEOWNERS ASSOCIATION**

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AMENDED AND RESTATED

BYLAWS

OF

TERRASANO

HOMEOWNERS ASSOCIATION

The original Bylaws for the TERRASANO Homeowners Association Inc. were included as Exhibit "D" of the COMMUNITY CHARTER FOR TERRASANO recorded April 4, 2005 in Book 20050404 as Instrument No. 0002342 in the Official Records, Clark County, Nevada ("Community Charter"). The Community Charter was amended and restated to reflect the current requirements of the Nevada Revised Statutes. The original Bylaws are hereby Amended and Restated as follows in accordance with Article 20 Termination and Amendment of Community Charter, Section 20.2 Amendment (a) By the Founder, sub-phrase (ii).

ARTICLE I

NAME AND LOCATION

1.01 The name of the corporation for which these are the Bylaws is "TERRASANO HOMEOWNERS ASSOCIATION"(hereinafter referred to simply as the "Association"). The principal office of the Association will be located at the address of the Resident Agent.

ARTICLE II

DEFINITIONS

2.01 The definitions contained and set forth in the Declaration of Covenants, Conditions, and Restrictions and Reservation of Easements for the TERRASANO planned development in the City of Las Vegas, Clark County, Nevada, hereinafter referred to simply as the "Declaration" and are incorporated herein by reference and made a part hereof as though set forth in full.

ARTICLE III

MEETING OF MEMBERS AND VOTING

3.01 Annual Meeting. The first (organizational) annual meeting of the Members will be held within one (1) year from the date of incorporation or establishment of the Association, and/or not later than six (6) months after the close of escrow on the sale of the first (1st) Lot in TERRASANO , whichever will first occur. The date, time, and place of the first annual meeting will be set by the Board at the organizational meeting so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent regular annual meetings of the Members will be held within thirty (30) days of the same day of the same month of each year thereafter, at the same hour of the day. If the day 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 which is not a legal holiday. If the Owners have not held a meeting for one (1) year, a meeting of the Owners must be held on the following March 1.

3.02 Special Meetings. A special meeting of the Members will be promptly scheduled by the Board of Directors in response to a majority vote of the Board itself, a request by the President or a written request for a special meeting signed by Members constituting at least ten percent (10%) percent of the total voting power of the Association. The provisions of the Declaration, as related to special meetings of the Association, are incorporated herein by reference and made a part hereof as though set forth in full. The same number of units' owners may also call a removal election pursuant to NRS 116.31036. To call a special meeting or removal election, the units' owners must submit a written petition signed by the required percentage of the total number of voting members of the Association, pursuant to this section and which is mailed, return receipt requested, or served by a process serve to the executive board or the community manager for the association. If the petition calls for a special meeting, the executive board shall set the date for the special meeting so that the special meeting is held not less than 15 days nor more than 60 days after the date on which the petition is received. If the petition calls for a removal election and

(a) The voting rights of the units' owners will be exercised by delegates or representatives as set forth in NRS 116.31105, the executive board shall set the date for the removal election so that the removal election is held not less than 15 days or more than 60 days after the date on which the petition is received; or

(b) The voting rights of the units' owners will be exercised through the use of secret ballots pursuant to NRS 116.31036, the secret written ballots for the removal election must be sent in the manner required by NRS 116.31036 not less than 15 days nor more than 60 days after the date on which the petition is received and the executive board shall set the date for the meeting to open and count the secret written ballots so that the meeting is held not more than 15 days after the deadline for returning the secret written ballots.

3.03 Notice and Place of Meetings. Written notice of each meeting of the Members will be given by, or at the direction of the secretary or person authorized to call the meeting, by personal delivery or mailing a copy of such notice, postage prepaid, at least fifteen (15) days, but not more than sixty (60) days before such meeting to each institutional lender requesting notice and to each member, addressed to the Member's Lot Number address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. If the Association offers to send notice by electronic mail, sent by electronic mail at the request of the Lots' owner to an electronic mail address designated in writing by the Lots's owner. Such notice will specify the time and place of the meeting, and include a copy of the agenda. Notwithstanding any other provision of law, notice of meetings of the Members will specify those matters the Board intends to present for action by the Members. Such notice will also provide notification of the right of the Lot Owner to have a copy of the minutes or a summary of the minutes of the meeting provided to the Lots' owner upon request and, if required by the Board of Directors, upon payment to the Association of the cost of providing the copy to the Lot's owner. In addition the notice will also provide notification of the right of the Lot Owner to speak to

the Association or Board of Directors, unless the Board of Directors is meeting in an executive session. The Agenda for the meeting must consist of (a) a clear and complete statement of the topics scheduled to be considered during the meeting, including without limitation, any proposed amendment to the Declaration or Bylaws, any fees or assessments to be imposed or increased by the Association, any budgetary changes and any proposal to remove an officer of the Association or member of the Board of Directors; (b) a list describing the items on which action may be taken and clearly denoting that action may be taken on those items. In an emergency, the Lot Owners may take action on an item which is not listed on the agenda as an item on which action may be taken and (c) a period devoted to comments by Lot Owners and discussion of those comments. Except in emergencies, no action may be taken upon a matter raised under this item of the Agenda until the matter itself has been specifically included on an Agenda as an item upon which action may be taken pursuant to phrase (b) of the foregoing sentence.

Meetings will be held within the Project, or at a meeting place within the same county and as close to the Project as possible Institutional lenders may designate in writing a representative to attend all meetings, and are hereby authorized to furnish information to the Association concerning the status of any loan encumbering a Lot within the Project.

3.04 Quorum.

Except as otherwise provided in NRS 116.3109 and NRS 116.31034, and except when the governing documents provide otherwise, a quorum is present throughout any meeting of the association if the number of members of the association who are present in person or by proxy at the beginning of the meeting equals or exceeds 20% of the total number of voting members of the Association.

3.05 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies will be in writing and filed with the secretary before the appointed time of each meeting. A Lot's Owner may give a proxy only to a member of his/her immediate family, a tenant of the Lot's owner who resides in the common-interest community other Lot's Owner who resides in the common-interest community or to a delegate or representative when authorized pursuant to NRS Chapter 116.

If a Lot is owned by more than one (1) person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through an executed proxy. A Lot's Owner may revoke a proxy given pursuant to this section only by actual notice of revocation to the person presiding over a meeting of the Association. Before a vote may be cast pursuant to a proxy: (a) the proxy must be dated, (b) the proxy must not purport to be revocable without notice, (c) the proxy must designate the meeting for which it is executed, (d) the proxy must designate each specific item on the agenda of the meeting for which the Lot's Owner has executed the proxy, except that the Lot's Owner may execute the proxy without designating any specific items on the agenda of the meeting if the proxy is to be used solely for determining whether a quorum is present for the meeting. If the proxy designates one or more specific items on the agenda of the meeting for which the Lot's Owner has executed the proxy, the proxy must indicate, for each specific item designated in the proxy, whether the holder of the proxy must cast a vote in the affirmative or the negative on behalf of the Lot's Owner. If the proxy does not indicate whether the holder of the proxy must cast in the affirmative or the negative for a particular item on the agenda of the meeting, the proxy must be treated, with regard to that particular item, as if the Lot's Owner were present but not voting on that particular item and (e) the holder of the proxy must disclose at the beginning of the meeting for which the proxy is executed the number of proxies pursuant to which the holder will be casting votes. A proxy terminates immediately after the conclusion of the meeting for which it is executed. A vote may not be cast pursuant to a proxy for the election or removal of a member of the Board unless the proxy is exercised through a delegate or representative authorized pursuant to NRS Chapter 116. The holder of a proxy may not cast a vote on behalf of the Lot's Owner who executed the proxy in a manner that is contrary to the proxy. A proxy is void if the proxy or the holder of the proxy violates any provisions of this Section 3.05. A proxy may not be used for an election.

Every form of proxy or written ballot which provides an opportunity to specify approval, disapproval with respect to any proposal will also contain a space marked "abstain". Any form of proxy or a written ballot distributed by any person to the membership of the Association will afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it will not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot will provide that, where the member specifies a choice, the vote will be cast in accordance with that choice. The proxy will also identify the person or persons authorized to exercise the proxy and the length of time it will be valid. In accordance with Chapter 116 of the NRS, after the Secretary of the Association has registered all proxies to be used at a meeting, upon request for a secret ballot all voting at a meeting of the Association must be by secret ballot. If a vote is taken by secret ballot, the secretary will count, or the president may appoint tellers to count, the ballot cast. Only a vote cast in person, by secret ballot or proxy may be counted.

3.06 Membership Classes and Voting Rights. Membership will be held as provided in the Declaration. Voting rights attributable to Lots will not vest until assessments against those Lots have been levied by the Association. The Association will have one (1) class of voting membership. Each Owner of a Lot will be entitled one (1) vote for each Lot owned. If a Lot is owned by multiple owners, only one (1) vote may be cast with regard to the Lot. When more than one person holds an interest in any Lot, all such persons will be Members, and the vote for such Lot will be exercised as they among themselves determine, in accordance with the agreement of a majority in interest of the Owners, but in no event will more than one vote be cast with respect to any Lot. There is majority agreement if any one of the Owners cast the votes allocated to the Lot without protest made promptly to the person presiding over the meeting by any of the other Owners of the Lot. If only one of several Owners of a Lot is present at a meeting of the Association that Owner is entitled to cast all the votes allocated to that Lot.

3.07 Action Without Meeting. Any action which may be taken by the vote of Members at a regular meeting or special meeting, except the election of the Members of the Board of Directors, may be taken without a meeting and without prior notice, if authorized by a written consent setting forth the action so taken, signed by Members having the requisite number of votes necessary to authorize or take such action at a meeting at which all Members were present, voted, and filed with the Secretary of the Association. A member or proxy holder may revoke any such consent provided such written revocation is received by the Association prior to the time that written consents of the number of Members required to authorize the proposed actions have been filed with the Secretary of the Association. Such revocation will be effective upon its receipt by the Secretary of the Association.

Unless the consent of all Members have been solicited in writing and have been received, prompt notice will be given, in the manner as for annual meetings of Members, to those Members who have not consented in writing, of the taking of any Association action approved by Members without a meeting. Such notice will be given at least ten (10) days before the consummation of the action authorized by such approval with respect to the following:

- (a) Approval of any reorganization of the Association;
- (b) Approval required by law for the indemnification of any person.

3.08 Conduct of Meetings. Meetings of the membership of the Association will be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedure as the Association may adopt.

3.09 Attendance and Participation at Meetings. A Member, as defined in the recorded Declaration, may attend any meeting of the Association or of the Board of Directors and speak at any such meeting. The Board of Directors may establish reasonable limitations on the time a Member may speak at such a meeting.

3.10 Minutes of Meetings. In accordance with NRS 116.3108, the Secretary or other officer specified in the Bylaws shall cause minutes to be recorded or otherwise taken at each meeting of the Lots's owners. Not more than 30 days after each such meeting, the secretary or other officer specified in the Bylaws shall cause the minutes or summary of the minutes of the meeting to be made available to Lots' Owners. A copy of the minutes or a summary of the minutes must be provided to any Lots owner upon request and, if required by the Board, upon payment to the association of the cost of providing the copy to the Lot's owner.

3.11. Requirements for Minutes of Meeting.

Except as provided in subsection (d), the minutes of each meeting of the Lots' owners must include:

- (a) The date, time and place of the meeting;
- (b) The substance of all matters proposed, discussed or decided at the meeting; and
- (c) The substance of remarks made by any Lot's owner at the meeting if he requests that the minutes reflect his remarks or, if he has prepared written remarks, a copy of his prepared remarks if he submits a copy for inclusion.
- (d) The Board may establish reasonable limitations on materials, remarks or other information to be included in the minutes of a meeting of the Lots's owners.

The Association shall maintain the minutes of each meeting of the Lots's owners until the common-interest community is terminated. A Lot's owner may record on audiotape or any other means of sound reproduction a meeting of the Lots's owners if the Lots' owner, before recording the meeting, provides notice of his intent to record the meeting to the other Lots's owners who are in attendance at the meeting. The units' owners may approve, at the annual meeting of the units' owners, the minutes of the prior annual meeting of the units' owners and the minutes of any prior special meetings of the units' owners. A quorum is not required to be present when the units' owners approve the minutes.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE, MEETINGS, POWERS AND DUTIES

4.01 Number. The affairs of this Association will be managed by a Board of three (3) Directors who must be members of the Association. The initial three (3) Directors will be appointed by Declarant and designated in the Articles of Incorporation and will hold office until their successors are elected at the first (organizational) meeting of the Members. Each Director must be one of the following: (a) the Owner of a Lot in the Project; (b) an officer, employee, agent, or director of a corporate Owner of a Lot; (c) a trustee or designated beneficiary of a trust that owns a Lot; (d) a member of manager of a limited-liability company that owns a Lot or (e) a fiduciary of an estate that owns a Lot. The foregoing may also serve as officers of the Association. In all events where the person serving or offering to serve as an officer of the Association or a member of the Board is not the record Owner of a Lot, he will file proof in the records of the Association that: (a) he/she is associated with the corporate owner, trust, limited-liability company or estate and (b) identifies the Lot or Lots owned by the corporate owner, trust, limited liability company or estate. In accordance with NRS 116.31034, each member of the Board of Directors shall, within 90 days after his/her appointment or election, certify in writing to the association, on a form prescribed by the Administrator, that he/she has read and understands the governing documents of the Association and the provisions of Chapter 116 of the Nevada Revised Statutes to the best of his/her ability. The Administrator may require the Association to submit a copy of the certification of each member of the executive board of that association at the time the association registers with the Ombudsman pursuant to NRS 116.3118. As provided in the Declaration, Declarant shall have the right to appoint and remove the members of the Board of Directors, subject to the following limitations:

(a) Not later than sixty (60) days after conveyance by Declarant of twenty-five percent (25%) of the Lots that may be created to Lot Owners other than a Declarant, at least one (1) Director and not less than twenty-five percent (25%) of the total number of Directors must be elected by Owners other than Declarant.

(b) Not later than sixty (60) days after conveyance of fifty percent (50%) of the Lots that may be created to Lot Owners other than a Declarant, not less than one third (1/3) of the total number of Directors must be elected by Owners other than Declarant.

(c) The power reserved to Declarant in this Section 4.01 to appoint or remove a majority of the members of the Board of Directors will terminate on the earliest of:

(i) Sixty (60) days after conveyance by Declarant of seventy-five percent (75%) of the Lots that may be created to Lot Owners other than a Declarant;

(ii) Five (5) years after all Declarants have ceased to offer Lots for sale in the ordinary course of business; or

(iii) Five (5) years after any right to add new Lots was last exercised.

Except as otherwise provided in subsection 5 of NRS 116.212, not later than the termination of any period of declarant control, the Lots' owners shall elect an executive board of at least three members, at least a majority of whom must be Lots' owners. Unless the governing documents provide otherwise, the remaining members of the executive board don not have to be unit owners. The executive board shall elect the officers of the association. The members of the executive board and the officers of the association shall take office upon election.

4.02 Term of Office. At the first (organizational) meeting of the Association, the Members shall elect three (3) Directors to serve until the first annual meeting. At the first annual meeting and each annual meeting thereafter, the Members shall elect three (3) Directors for a term of one (1) year. The term of office of a Member of the Board of Directors may not exceed two (2) years, except for members who are appointed by the declarant. There is no limitation on the number of terms that a person may serve as a member of the executive board. In the event that any such annual meeting is not held or the Directors not elected at such meeting, the Directors may be elected at any special meeting of the Association held for that purpose, and all incumbent Directors shall hold their office until their successors are elected.

4.03 Notice of Eligibility. Not less than thirty (30) days before the preparation of a ballot for the election of members of the Board of Directors, the Secretary shall cause notice to be given to each of the Owner(s) of a Lot of his/her eligibility to serve as a member of the Board of Directors. Each of the Owner(s) of a Lot who is qualified to serve as a member of the Board of Directors may have his/her name placed on the ballot along with the names of the nominees selected by the members of the Board of Directors or a nominating committee as provided for herein.

4.04 Election. The first election of the Board shall be conducted at the first (organizational) meeting of the Association. The election of any member of the Board of Directors must be conducted by secret written ballot. The secretary shall cause a secret ballot and a return envelope to be sent prepaid by United States mail to the mailing address of each Lot within the common-interest community or to any other mailing address designated in writing by the Lot's Owner. Each Lot's owner must be provided with at least 15 days after the date the secret ballot is mailed to the Lot's owner to return the secret ballot to the association. A quorum is not required by the election of any member of the executive board. Only the secret ballots that are returned to the association may be opened and counted at a meeting of the association. A quorum is not required to be present when the secret written ballots are opened and counted at the meeting. The incumbent members of the executive board and each person whose name is placed on the ballot as a candidate for a member of the executive board may not possess, be given access to or participate in the opening or counting of the secret written ballots that are returned to the association before those secret written ballots have been opened and counted at a meeting of the association. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Project Documents. The person receiving the largest number of votes shall be elected. Voting for Directors shall be by secret written ballot. A Member shall be entitled to cumulate his/her vote for one or more candidates for the Board of Directors if the candidate's name has been placed in nomination prior to voting and if the Member has given notice at the meeting prior to the voting of his/her intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. Votes cast for the election of member of the Board must be counted in public. A proxy may not be used for an election.

4.05 Removal; Vacancies.

Notwithstanding any provision of the Declaration or Bylaws to the contrary, any member of the Board of Directors, other than a member appointed by the Declarant, may be removed from the Board of Directors, with or without cause, if a removal election held pursuant to this section the number of votes cast in favor of removal constitutes:

(a) At least thirty-five percent (35%) of the total number of voting members of the Association; and

(b) At least a majority of all votes cast in that removal election.

The removal of any member of the executive board must be conducted by secret written ballot unless the declaration of the association provides that voting rights may be exercised by delegates or representatives as set forth in NRS 116.31105. If the removal of a member of the executive board is conducted by secret written ballot:

(a) The secretary or other officer specified in the bylaws of the association shall cause a secret written ballot and a return envelope to be sent, prepaid by United States mail, to the mailing address of each member within the common-interest community or to any other mailing address designated in writing by the Lot's owner.

(b) Each Lots' owner must be provided with at least 15 days after the date the secret ballot is mailed to the Lots's owner to return the secret ballot to the association.

(c) Only the secret written ballots that are returned to the association may be counted to determine the outcome.

(d) The secret written ballots must be opened and counted at a meeting of the association. A quorum is not required to be present when the secret written ballots are opened and counted at the meeting.

(e) The incumbent members of the executive board, including without limitation, the member who is subject to the removal, may not possess, be given access to or participate in the opening or counting of the secret written ballots that are returned to the association before those secret written ballots have been opened and counted at a meeting of the association.

Any Director appointed by the Declarant may only be removed by Declarant. In the event of death or resignation of a Director, his successor shall be selected by a majority of the remaining Directors or by a sole remaining Director, and shall serve for the unexpired term of his predecessor. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. Any vacancy created by the removal of a Director can be filled only by election of the Members.

4.06 Regular Meetings. Regular meetings of the Board of Directors shall be held at least bi-monthly at such place within the Project and at such 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. A meeting of the Board of Directors must be held at least once every ninety (90) days. The agenda of the meeting of the Board of Directors must comply with the provisions of subsection 3 of NRS 116.3108. In an emergency, the Board of Directors may take an action on an item which is not listed on the agenda as an item on which action may be taken.

4.07 Notice to Owner's of Regular Meetings. Except in an emergency, the Secretary of the Association shall, not less than ten (10) days before the date of a meeting of the Board of Directors, cause the notice of the meeting to be given to the Lot Owner(s). Such notice must be:

(a) Sent prepaid by United States mail to the mailing address of each Lot within the common-interest community or to any other mailing address designated in writing by the Lot Owner(s); or

(b) Published in a newsletter or other similar publication that is circulated to each Lot Owner(s).

In an emergency, the Secretary of the Association shall, if practicable, cause notice of the meeting to be sent prepaid by United States mail to the mailing address of each Lot within the common-interest community. If delivery of the notice in this manner is impracticable, the notice must be hand-delivered to each Lot within the common-interest community or posted in a prominent place or places with the common elements of the Association.

The notice of a meeting of the Board of Directors must state the time and place of the meeting and include a copy of the agenda for the meeting or the date on which and the locations where copies of the agenda may be conveniently obtained by the Lot Owner(s) of the Association. The notice must include notification of the right of Lot Owner(s) to:

(a) Have a copy of the minutes or a summary of the minutes of the meeting provided to the Lot's owner upon request and, if required by the Board of Directors, upon payment to the Association of the cost of providing the copy to the Lot's owner.

(b) Speak to the Association or the Board of Directors, unless the Board of Directors is meeting in executive session.

4.08 Special Meetings. Special Meetings of the Board of Directors shall be held when called by written notice signed by the president of the Association or by any two (2) Directors other than the president.

4.09 Quorum; Notice of Adjourned Meeting. A majority of the number of Directors shall constitute a quorum and be necessary for the transaction of business, except to adjourn until the time fixed for the next regular meeting of the Directors. Every act performed or decision 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. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for the meeting. Notice of the time and place of holding the adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment, and shall be posted at a prominent place within the Common Area. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice or explanation, the Board shall communicate such notice or explanation by any means it deems appropriate.

4.10 Open Meetings. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider matters set forth in Section 4.10. In accordance with NRS 116.31085(4), a member is not entitled to attend or speak at a meeting the Board of Directors held in executive session. All other meetings of the Board shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board. The period required to be devoted to comments by Lot Owner(s) and discussion of those comments must be scheduled for the beginning of each meeting.

4.11 Minutes of Meetings. The secretary or other officer specified in the Bylaws shall cause minutes to be recorded or otherwise taken at each meeting of the Board. Not more than thirty (30) days after each such meeting, the secretary or other officer specified in the Bylaws shall cause the minutes or a summary of the minutes of the meeting to be made available to the Lots' owners. A copy of minutes or a summary of the minutes must be provided to any Lots' owner upon request and, if required by the Board, upon payment to the Association of the cost of providing the copy to the Lot's owner.

4.12. Requirements for Minutes of Meeting. Except as provided in subsection (f), the minutes of each meeting of the Board must include:

- (a) The date, time and place of the meeting;
- (b) Those members of the Board who were present and those members who were absent at the meeting;
- (c) The substance of all matters proposed, discussed or decided at the meeting;
- (d) A record of each member's vote on any matter decided by vote at the meeting; and
- (e) The substance of remarks made by any Lot's owner who addresses the Board at the meeting if he requests that the minutes reflect his remarks or, if he has prepared written remarks, a copy of his prepared remarks if he submits a copy for inclusion.
- (f) The Board may establish reasonable limitations on materials, remarks or other information to be included in the minutes of its meeting.

The Association shall maintain the minutes of each meeting of each meeting of the Board until the common-interest community is terminated. A Lot's owner may record on audiotape or any other means of sound reproduction a meeting of the Board if the Lots' owner, before recording the meeting, provides notice of his intent to record the meeting to the members of the Board who are in attendance at the meeting.

4.13 Executive Session. The Board may meet in executive session to: (a) consult with the attorney for the Association on matters relating to proposed or pending litigation if the contents of the discussion would otherwise be governed by the privilege set forth in NRS 49.035 to 49.115, inclusive or to enter into, renew, modify, terminate or take any other action regarding a new contract between the Association and the attorney; (b) discuss the character, alleged misconduct, professional competence, or physical or mental health of a community manager or an employee of the association; (c) except as otherwise provided hereinafter, discuss a violation of governing documents, including, without limitation, the failure to pay an assessment; (d) discuss the alleged failure of a Lot's owner to adhere to a schedule required pursuant to NRS 116.31035 if the alleged failure may subject the Lot's owner to a construction penalty. The nature of any and all business to be considered in executive session shall first be announced in open session. The Board shall meet in executive session to hold a hearing on an alleged violation of the Governing Documents unless the person who may be sanctioned for the alleged violation, requests in writing that an open hearing be conducted by the executive board. If the person who may be sanctioned for the alleged violation requests in writing that an open hearing be conducted, the person:

(a) Is entitled to attend all portions of the hearing related to the alleged violation, including, without limitation, the presentation of evidence and the testimony of witnesses; and

(b) Is not entitled to attend the deliberations of the executive board.

Any matter discussed by the Board when its meets in executive session must be generally noted in the minutes of the Board of Directors. The Board of Directors shall maintain minutes of any decision made concerning al alleged violation and, upon request, provide a copy of the decision to the person who was subject to being sanctioned at the hearing or to his/her designated representative. Except as otherwise provided herein the Lot Owner(s) is/are not entitled to attend or speak at a meeting of the Board held in executive session.

4.14 Action Taken Without a Meeting. The Directors may take any action in the absence of a meeting which they are required or permitted to 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. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Directors have been obtained. If the Common Area consists of only an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board shall communicate said explanation by any means it deems appropriate.

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

(a) Maintenance: Maintain the Project in accordance with the provisions of the Project Documents.

(b) Insurance: Procure and maintain insurance as required by the provisions of the Project Documents.

(c) Discharge of Liens: Discharge by payment, if necessary, any lien against the Common Area and assess the costs thereof to the Member or Members responsible for the existence of said lien.

(d) Assessments: Fix, levy, collect, and enforce assessments as set forth in the Project Documents.

(e) Expenses and Obligations: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

(f) Records: Cause to be kept a complete record of all its acts and affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4th) of the Members; keep adequate and correct books and records of account, minutes of its own proceedings and those of its committees, and a record of its Members and the members of the Association, giving their names and addresses and classes of membership. In accordance with NRS 116.3118, the Association shall keep financial records sufficiently detailed to enable the Association to comply with NRS 116.4109. In addition, all financial and other records of the association must be:

(1) Maintained and made available for review at the business office of the association or some other suitable location within the county where the common-interest community is situated or, if it is situated in more than one county, within one of those counties; and

(2) Made reasonably available for any units' owner and his authorized agents to inspect, examine, photocopy and audit.

(g) Supervision: Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed.

(h) Enforcement: Enforce the provisions of the Project Documents.

(i) Financial Audit: Complete an annual audit of the financial records of the Association, by a certified public account.

In the performance of their duties, the officers and members of the Board of Directors are fiduciaries and are subject to insulation from liability provided for Directors of a corporation by the laws of the State of Nevada. The members of the Board are required, in accordance with Nevada Revised Statutes Section 116.3103, to exercise the ordinary and reasonable care of Directors of a corporation, subject to the business-judgement rule.

4.16 Powers. The Board of Directors may do any of the following:

(a) Adopt and amend Bylaws, rules and regulations.

(b) Adopt and amend budgets for revenues, expenditures and reserves and collect assessments for common expenses from the unit owners.

(c) Hire and discharge managing agents and other employees, agents and independent contractors.

(d) Institute, defend or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more units owners on matters affecting the common-interest community.

(e) Make contracts and incur liabilities.

(f) Regulate the use, maintenance, repair, replacement and modification of common elements.

(g) Cause additional improvements to be made as a part of the common elements.

(h) Acquire, hold, encumber and convey in its own name any right, title or interest to real estate or personal property, but:

(1) Common Elements in a condominium or planned community may be conveyed or subjected to a security interest only pursuant to NRS 116.3112.

(i) Grant easements, licenses and concessions through or over the common elements.

(j) Impose and receive payments, fees or charges for the use, rental or operation of the common elements, other than the limited common elements described in subsections 2 and 4 of NRS 116.2102, and for services provided to the units owners.

(k) Impose charges for late payments of assessments.

(l) Impose construction penalties when authorized pursuant to NRS 116.31035.

(m) Impose reasonable fines for violations of the governing documents of the association only if the association complies with the requirements set forth in NRS 116.31031.

(n) Impose reasonable charges for the preparation and recordation of any amendments to the Declaration or any statements of any unpaid assessments and impose reasonable fees, not to exceed the amounts authorized by NRS 116.4109, for preparing and furnishing the documents and certificates required by that section.

(o) Provide for the indemnification of its officers and Board of Directors and maintain directors and officers liability insurance.

(p) Assign its right to future income, including the right to receive assessments for common expenses, but only to the extent the Declaration expressly so provides.

(q) Exercise any other powers conferred by the Declaration or Bylaws.

(r) Exercise all other powers that may be exercised in this State by legal entities of the same type as the Association.

(s) Direct the removal of vehicles improperly parked on property owned or leased by the association, as authorized pursuant to NRS 487.038 or improperly parked on any road, street, alley or other thoroughfare within the Project in violation of the governing documents. In addition to complying with the requirements of NRS 487.038 and any requirements in the governing documents, if a vehicle is improperly parked as described in this paragraph, the Association must post written notice in a conspicuous place on the vehicle or provide oral or written notice to the owner or operator of the vehicle at least 48 hours before the Association may direct the removal of the vehicle, unless the vehicle:

(1) Is blocking a fire hydrant, fire lane or parking space designated for the handicapped; or

(2) Poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the Project.

(t) Exercise any other powers necessary and proper for the governance and operation of the Association.

4.17 Prohibited Acts. The Board of Directors shall not take any of the following actions except with the vote or written consent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant:

(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or U.S. Department of Veterans Affairs (if either of these entities is the holder, insurer or guarantor of any loan or mortgage on any Lot in the Project);

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(3) Prepaid casualty and/or liability insurance policies of not-to-exceed three (3) years duration provided that the policy permits short-rate cancellation by the insured.

(4) Lease agreements for laundry room fixtures and equipment of not-to-exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(5) Agreements for cable television services and equipment or satellite services and equipment of not-to-exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation, and services of not-to-exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incurring, during any fiscal year, any expenditures for capital improvements to the Common Area aggregate expenditures for such purposes, in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Selling, during any fiscal year, any property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(d) Paying compensation to Directors or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(e) Filling a vacancy on the Board of Directors created by the removal of a Director.

In addition, the Board of Directors may not act on behalf of the Association to: (1) amend the Declaration; (2) terminate the common-interest community; or (3) elect members of the Board or determine the qualifications, powers, and duties or terms of office but, as provided for herein, may fill vacancies in its membership for the unexpired portion of any term of a Director.

4.18 Compensation. Except as provided in Paragraph 4.16 (d) hereinabove, 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.

4.19 Indemnification of Directors.

If a member of an executive board is named as a respondent or sued for liability for actions undertaken in his/her role as a member of the Board, the association shall indemnify him/her for losses or claims, and undertake all costs of defense, unless it is proven that he/she acted with willful or wanton misfeasance or with gross negligence. After such proof the Association is no longer liable for the costs of defense and may recover costs already expended from the member of the Board who so acted. Members of the Board are not personally liable to the victims of crimes occurring on the project. Punitive damages may not be recovered against the Association, but may be recovered from persons whose activity gave rise to the damages. The provisions of this section do not prohibit the Commission from taking any disciplinary action against a member of the Board pursuant to NRS 116.745 to 116.795, inclusive.

4.20 Reserve Study/Reserve Funds.

(a) The Board of Directors shall:

(1) At least once every five (5) years, cause to be conducted, a study of the reserves required to repair, replace and restore the major components of the common elements;

(2) At least annually, review the results of that study to determine whether those reserves are sufficient; and

(3) At least annually, make any adjustments to the association's funding plan which the executive board deems necessary to provide adequate funding for the required reserves.

The study of the reserves required by Section 4.19 must be conducted by a person who holds a permit issued pursuant to sections 2 to 35, inclusive, of this act. The summary of the reserves must include, without limitation:

(a) A summary of an inspection of the major components of the common elements that Association is obligated to repair, replace, or restore;

(b) An identification of the major components of the common elements that the Association is obligated to repair, replace or restore which have a remaining useful life of less than thirty (30) years;

(c) An estimate of the remaining useful life of each major component of the common elements identified pursuant to paragraph (b);

(d) An estimate of the cost of repair, replacement or restoration of each major component of the common elements identified pursuant to paragraph (b) during and at the end of its useful life; and

(e) An estimate of the total annual assessment that may be necessary to cover the cost of repairing, replacement, or restoration of the major components of the common elements identified pursuant to paragraph (b), after subtracting the reserves of the Association as of the date of the study, and an estimate of the funding plan that may be necessary to provide the adequate funding for the required reserves.

3. The results of the study of the reserves required by subsection 1 must be submitted to the Division not later than 45 days after the date the executive board adopts the results of the study.

(b) Money in the reserve account of the Association required by paragraph (b) of subsection 2 of NRS 116.3115 may not be withdrawn without the signatures of at least two (2) members of the Board of Directors or the signatures of a least one (1) member of the Board of Directors and one (1) officer of the Association who is not a member of the Board of Directors. In addition to the foregoing, the signature of the management agent shall be required to withdraw money from the reserve account as noted herein.

(c) The Board of Directors shall not expend funds designated as reserve funds for any purpose other than the repair, replacement, and restoration of the major components of the common elements. The reserve may be used only for those purposes, including, without limitation, repairing, replacing, and restoring roofs, roads, and sidewalks, and must not be used for daily maintenance.

4.21. Additional Reserve Study Requirements.
Notwithstanding the minimum requirements of the NRS set forth in Section 4.20 herein, the following Additional Reserve Study Requirements shall apply:

1. A Reserve Study shall be complete once every three (3) years or after twenty-five percent (25%) of the total reserve are used in any fiscal year.

2. Base-Line/Cash-Flow funding is to be used to calculate reserve funding.

3. The minimum following components must have funds reserved for but the reserve components are not limited to:

a. Painting of all "no parking" or "fire" curb, fire hydrants and traffic striping every two (2) years.

b. All asphalt areas be slurry sealed every four (4) years with aggregate type slurry. At the time of each slurry seal, miscellaneous asphalt repairs shall be done prior to the slurry seal.

c. Entry gates shall be painted. Hinges shall be replaced, if necessary and painted every four (4) years.

d. Gate motors, keypads, controllers and sensors are replaced within each ten (10) year period.

e. Split-face and plain concrete block walls are pressure washed and acid washed every four (4) years. Also, after cleaning is completed, all loose blocks and/or mortar shall be repaired.

f. Stucco block wall finishes. Touch-up paint shall be applied on an annual basis. Complete repainting and repair, as needed, shall be completed every five (5) years.

g. Landscape plants and rocked replacement/revitalizing shall be completed every ten (10) years.

h. Landscape Contingency Fund shall be maintained at a rate of \$100.00 (in 2004 dollars) per Lot every ten (10) years. This Fund shall be used for unexpected and/or emergency items.

i. Wrought Iron Painting and Repair shall be completed every four (4) years.

j. Entry monument signs shall be repaired or replaced, as necessary, every fifteen (15) years.

k. Asphalt over-lay of all asphalt areas within thirty (30) years. Prior to over-lay all asphalt areas in poor condition must be repaired.

l. Concrete sidewalks and curbs are to be replaced as necessary. Reserve for an estimated portion for replacement to occur after thirty (30) years.

4.22 Notification to Members. Members of the Association shall be notified in writing at the time that the pro forma budget is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained.

4.23 Complaint of alleged Violation by Executive Board.

In accordance with NRS Chapter 116:

1. If an executive board receive a written complaint from a Lot's owner alleging that the executive board has violated any provision of Chapter 116 or any provision of the governing documents of the association, the executive board shall, if action is required by the executive board, place the subject of the complaint on the agenda of the next regularly scheduled meeting of the executive board.

2. Not later than 10 business days after the date that the association receives such a complaint, the executive board or an authorized representative of the association shall acknowledge the receipt of the complaint and notify the Lot's owner that, if action is required by the executive board, the subject matter of the complaint will be placed on the agenda of the next regularly scheduled meeting of the executive board.

4.24 Prohibitions on compensation.

In accordance with NRS 116.31185:

1. Except as otherwise provided subsection 2, a member of an executive board, an officer of an association or a community manager shall not solicit or accept any form of compensation, gratuity or other remuneration that:

(a) Would improperly influence or would appear to a reasonable person to improperly influence the decisions made those persons; or

(b) Would result or would appear to a reasonable person to result in a conflict of interest for those persons.

2. Notwithstanding the provisions of subsection 1, a member of an executive board, an officer of an association, a community manager or any person working for a community manager shall not accept, directly or indirectly, any gifts, incentives, gratuities, rewards or other items of value from:

(a) An attorney, law firm or vendor, or any person working directly or indirectly for the attorney, law firm or vendor, which total more than the amount established by the Commission by regulation, not to exceed \$100.00 per year per such attorney, law firm or vendor; or

(b) A declarant, an affiliate of a declarant or any person responsible for the construction of the applicable community or association which total more than the amount established by the Commission by regulation, not to exceed \$100.00 per year per such declarant, affiliate or person.

4.25 Prohibitions on retaliatory action.

In accordance with NRS Chapter 116:

1. An executive board, a member of an executive board or an officer, employee or agent of an association shall not take, direct or encourage another person to take, any retaliatory action against a Lot's owner because the Lot's owner has:

(a) Complained in good faith about any alleged violation of any provision of Chapter 116 or the governing documents of the association; or

(b) Requested in good faith to review the books, records or other papers of the association.

4.26 Prohibitions on contracts and/or goods/services.

In accordance with NRS Chapter 116:

1. Except as otherwise provided in this section, a member of an executive board or an officer of the association shall not:

(a) On or after October 1, 2003, enter into a contract or renew a contract with the association to provide goods or services to the association; or

(b) Otherwise accept any commission, personal profit or compensation of any kind from the association for providing goods or services to the association..

2. The provisions of this section do not prohibit a declarant, an affiliate of a declarant or an officer, employee or agent of a declarant or an affiliate of a declarant from:

(a) Receiving any commission, personal profit or compensation from the association, the declarant or an affiliate of the declarant for any goods or services furnished to the association;

(b) Entering into contracts with the association, the declarant or affiliate of the declarant; or

(c) Serving as a member of the executive board or as an officer of the association.

4.27. Potential Conflict of Interest of candidates.

In accordance with NRS 116.31034 5:

5. Each person whose name is placed on the ballot as a candidate for a member of the executive board must

(A) Make a good faith effort to disclose any financial, business, professional or personal relationship or interest that would result or would appear to a reasonable person to result in a potential conflict of interest for the candidate if the candidate were to be elected to serve as a member of the executive board.

(B) Disclose whether the candidate is a member in "good standing". For the purposes of this paragraph, a candidate shall not be deemed to be in "good standing" if the candidate has any unpaid and past due assessments or construction penalties that are required to be paid by the Association.

The candidate must make all disclosures required pursuant to this subsection in writing to the Association with his candidacy information. The Association shall distribute the disclosures to each member of the Association with the ballot in the manner established by the Bylaws of the Association.

4.28. Potential Conflict of Interest of persons to community manager.

In accordance with NRS 116.31034 6:

6. Unless a person is appointed by the declarant:

(a) A person may not be a member of the executive board or an officer of the association if the person, his spouse or his parent or child, by blood, marriage or adoption, performs the duties of a community manager for that association.

ARTICLE V

OFFICERS AND THEIR DUTIES

5.01 Enumeration of Officers. The officers of the Association shall be a president and vice-president, who shall at all times be Directors, a secretary, and chief financial officer (treasurer) and such other officers as the Board may from time to time create by resolution. In order to qualify to serve as an officer of the Association, the person must be the owner of a Lot subject to the recorded Declaration.

5.02 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 Association.

5.03 Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless the officer resigns, or shall be removed, or otherwise disqualified to serve.

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

5.05 Resignation and Removal. Any officer may be removed from office by the Board with or without cause. 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.

5.06 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/she replaces.

5.07 Multiple Offices. After the first (organizational) meeting of the Members of the Association has been held, no person shall simultaneously hold more than one office, except that the offices of secretary and chief financial officer may be held by the same person, and except in the case of special offices created pursuant to Paragraph 5.04 of this Article.

5.08 Duties. The duties of the officers are as follows:

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

(b) 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.

(c) Secretary. The secretary shall record all votes and keep the minutes of all meetings and proceedings of the Board and of the Association, serve notice of meetings of the Board and of the Association; 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.

(d) Chief Financial Officer. The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; shall keep proper books of account; shall prepare and distribute financial statements to each Member of the Association as follows.

Any of the foregoing duties, included in paragraphs (a) to (d), inclusive, may be delegated to the management agent, after approval by a majority of the Board of Directors.

5.09 Documents to be Prepared and Distributed to Members. The Board of Directors of the Association shall, not less than thirty (30) days or more than sixty (60) days before the beginning of the fiscal year of the Association, prepare and distribute to Lot Owner a copy of:

(a) The budget for the daily operation of the Association. The budget must include, without limitation, the estimated annual revenue and expenditures of the Association and any contributions to be made to the reserve account of the Association.

(b) The budget to provide adequate funding for the reserves required by paragraph (b) of subsection 2 of NRS 116.3115. The budget must include, without limitation:

(1) The current estimated replacement cost, estimated remaining life and estimated remaining useful life of each major component of the common elements;

(2) As of the end of the fiscal year for which the budget is prepared, the current estimate of the amount of cash reserves that are set aside, to repair, replace or restore the major components of the common elements;

(3) A statement as to whether the executive board has determined or anticipates that the levy of one or more special assessments will be necessary to repair, replace or restore any major component of the common elements or to provide adequate funding for the reserves designated for that purpose; and

(4) A general statement describing the procedures used for the estimation and accumulation of cash reserves pursuant to subparagraph (2), including, without limitation, qualifications of the person responsible for the preparation of the study of the reserves required by NRS 116.31152.

5.10 Budget Summary. In lieu of distributing copies of the budgets of the Association required by subsection 1, the Board of Directors may distribute to each Owner of a Lot a summary of those budgets, accompanied by a written notice that:

(a) The budgets are available for review at the business office of the Association or some other suitable location within the County where the common-interest community is situated or, if it is situated in more than one county, within one of those counties;

(b) Copies of the budgets will be provided upon request.

Within 60 days after adoption of any proposed budget for the Project, the executive board shall provide a summary of the proposed budget to each units' owners and shall set a date for a meeting of the units' owners to consider ratification of the proposed budget not less than 14 days nor more than 30 days after the mailing of the summaries. Unless at that meeting a majority of all units' owners, or any larger vote specified in the declaration, reject the proposed budget, the proposed budget is ratified, whether or not a quorum is present. If the proposed budget is rejected, the periodic budget last ratified by the units' owners must be continued until such time as the units' owners ratify a subsequent budget proposed by the executive board.

5.11 Distribution of Policies and Practices. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

5.12. Additional Budget/Contracting Requirements. In addition to the NRS Requirements set forth herein, the following additional Budget/Contracting Requirements shall be required:

a. Signed agreements for each contractor must be executed prior to each Budget being approved by the Board of Directors.

b. The following items must be contracted for:

1. Landscape maintenance, weekly.
2. Tree trimming, twice per year.
3. Gate maintenance, monthly.
4. Landscape lighting, monthly.
5. Street sweeping, monthly.
6. Painting, block and stucco repair, as needed.
7. Sewer and water system check, each year.

c. Conduct a formal community evaluation annually (April, May or June), prior to preparing subcontractor contracts for budget approval. The following components must be evaluated by the Board of Directors:

1. Landscaping of Plants.
2. Landscaping irrigation.
3. Asphalt areas.
4. Concrete areas.
5. Lighting.
6. Sewer and water systems.

5.13 Ninety (90) Day Review. At least once every ninety (90) days, the Board of Directors shall review, at a minimum, the following financial information at one of its meetings:

(a) A current year to date financial statement of the Association;

(b) A current year-to-date schedule of revenues and expenses for the operating account and the reserve account, compared to the budget for those accounts;

(c) A current reconciliation of the operating account of the Association;

(d) A current reconciliation of the reserve account of the Association.

(e) The latest account statements prepared by the financial institutions in which the accounts of the Association are maintained; and

(f) The current status of any civil action or claim submitted to arbitration or mediation in which the Association is a party.

5.14. Financial Statement.

Except as otherwise provided in Subsection 2, the Board of Directors shall:

(a) If the annual budget of the Association is less than \$75,000.00 cause the financial statement of the Association to be audited by an independent certified public accountant at least once every four (4) fiscal years.

(b) If the annual budget of the Association is \$75,000.00 or more, but less than \$150,000.00, cause the financial statement of the Association to be:

(1) Audited by an independent certified public accountant at least once every four (4) fiscal years; and

(2) Reviewed by an independent certified public accountant every fiscal year for which an audit is not conducted.

(c) If the annual budget of the Association is \$150,000 or more, cause the financial statement of the Association to be audited by an independent certified public accountant every fiscal year.

For every fiscal year for which an audit of the financial statement of the Association will not be conducted pursuant to this section, the Board of Directors shall cause the financial statement for that fiscal year to be audited by an independent certified public accountant if, within 180 days before the end of the fiscal year, fifteen percent (15%) of the total number of voting members of the Association submit a request for such an audit.

5.15 Distribution of Changes in Project Documents.

In accordance with NRS Chapter 116, if any change is made to the Project Documents of the Association, the Secretary shall, within thirty (30) days after the change is made, prepare and cause to be hand-delivered or sent prepaid by United States mail to the mailing address of the Lot Owner(s) or to any other mailing address designated in writing by the Lot Owner(s), a copy of the change that was made.

5.16 Officers and Amendments to the Declaration.

In accordance with NRS 116.3106 (1) (e) and the recorded Declaration, the President is authorized to prepare, execute certify and record Amendments to the Declaration on behalf of the Association, after approval by the Board of Directors and the Members of the Association. The management agent shall coordinate the preparation and recordation of any Amendment to the Declaration.

ARTICLE VI

BOOKS AND RECORDS

6.01 Inspection by Members. Members of the Association shall have access to Association records. The governing documents, the membership register (including names, telephone numbers, mailing addresses, and voting rights), the financial statement of the Association, the budgets of the Association required to be prepared in accordance with these Bylaws, the reserve study required to be prepared in accordance with these Bylaws, and the minutes of meetings of the Association, Board, and of committees shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the business office of the Association or at such other suitable location as the Board may prescribe. In addition to the foregoing, in accordance with NRS 116.31175, the Association shall, upon the written request of a Lot's Owner make available all contracts to which the Association is a party and all records filed with a court relating to a civil or criminal action to which the Association is a party. The provisions of this section do not apply to:

(a) The personnel records of the employees of the Association, except for those records relating to the numbers of hours worked and the salaries and benefits of those employees;

(b) The records of the Association relating to another Lot's Owner, except those records described in (a); and

(c) A contact between the Association and an attorney.

In addition, the Board shall maintain a general record concerning each violation of the governing documents, other than a violation involving a failure to pay an assessment, for which the Board has imposed a fine, a construction penalty or any other sanction. The general record:

(a) Must contain a general description of the nature of the violation and the type of sanction imposed. If the sanction imposed was a fine or construction penalty, the general record must specify the amount of the fine or construction penalty.

(b) Must contain the name and address of the person against whom the sanction was imposed or any other personal information which may be used to identify the person or the location of the Lot, if any, that is associated with the violation.

(c) Must be maintained in an organized and convenient filing system or data system that allows a Lot's owner to search and review the general records concerning violations of the governing documents.

In accordance with NRS 116.31175, the books, records and other papers of the Association must be maintained for at least 10 years. The provisions of this subsection do not apply to:

(a) The minutes of a meeting of the Lots' owners which must be maintained in accordance with NRS 116.3108;

(b) The minutes of a meeting of the Board which must be maintained in accordance with NRS 116.31083.

In addition, the Board shall not require a Lots' owner to pay an amount in excess of \$10 per hour to review any books, records, contracts or other papers of the Association pursuant to NRS 116.31175.

6.02 Access to Records by Ombudsman. The Board of Directors shall make available for review by the ombudsman for owners in common-interest communities: (1) the financial statement of the Association, (2) the budgets of the Association required to be prepared in accordance with these Bylaws, and (3) the reserve study required to be prepared in accordance with these Bylaws. The Board of Directors shall provide the ombudsman for owners in common-interest communities with a copy of the foregoing items in accordance with Section 6.03.

6.03 Rules for Inspection/Payment of Costs/Time Limit for Distribution. The Board shall establish reasonable rules with respect to:

(a) Form of the written notice to be given to the custodian of the records by the Member desiring to make the inspection.

(b) Hours and days of the week when such an inspection may be made ("regular working hours").

(c) payment of the cost of reproducing copies of documents requested by a Member. The cost of reproducing copies of documents described in Section 6.1 may not exceed \$.25 per page.

(d) the time limit for distribution shall not exceed fourteen (14) days after receipt by the custodian of the records of the written request.

6.04 Prohibition on Access by Members. In accordance with NRS Chapter 116, the right of inspection of the books, records, and documents described in Section 6.02 shall not apply to:

(a) The personnel records of the employees of the Association; and

(b) The records of the Association relating to another Lot Owner(s).

6.05 Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at reasonable charge.

ARTICLE VII

MISCELLANEOUS

7.01 Committees. The Board of Directors shall appoint an Architectural Review Committee, as provided in the Declaration, and a Nominating Committee, as provided in the Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

7.02 Assessments. Regular and special assessments levied pursuant to the Project Documents are delinquent fifteen (15) days after they become due. If an assessment is delinquent, the Association may recover all of the following:

(a) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

(b) A late charge not exceeding ten percent (10%) of the delinquent assessment or ten dollars (\$10.00), whichever is greater.

(c) Interest on all sums imposed in accordance with the section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed eighteen percent (18%) interest, commencing thirty days after the assessment becomes due. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

7.03 Amendments. Prior to close of escrow on the sale of the first Lot, the Declarant may amend these Bylaws. After of sale of the first Lot, these Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of the total voting power of the Association, which shall include a majority of the votes or written consent of Members other than the Declarant. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative vote required for action to be taken under that clause.

7.04 Transfer of control from Declarant to Association. In addition to any applicable requirement set forth in Section 39 of this act, within thirty (30) days after the Members other than the Declarant may elect a majority of members of the Board, the Declarant shall deliver to the Association all property of the Members and the Association held by or controlled by the Declarant, including:

(a) The original or a certified copy of the recorded Declaration of Covenants, Conditions, and Restrictions and any amendments thereto; a copy of the filed Articles of Incorporation; articles of association, articles of organization, certificate of registration, certificate of limited partnership, certificate of trust or other documents of organization for the association, the Bylaws; minute books and other books and records of the Association; and any Rules and Regulations of the Association which may have been adopted;

(b) an accounting for money of the Association and audited financial statements for each fiscal year and any ancillary period from the date of inception of the Association to the date the period of the declarant's control ends. The financial statements must fairly and accurately report with Association's position.

(c) A complete study of the reserves of the Association, conducted by a person who holds a permit to conduct such a study issued pursuant to sections 2 to 35, inclusive, of this act. At the time the control of the Declarant ends, he shall: (a) except as otherwise provided herein, deliver to the Association a reserve account that contains the Declarant's share of the amounts then due, and control of the account. If the Declaration was recorded before October 1, 1999, and, at the time the control of the Declarant ends, he/she has failed to pay his/her share of the amounts due, the Board of Directors shall authorize the Declarant to pay the deficiency in installments for a period of three (3) years, unless the Declarant and the Board of Directors agree to a shorter period.

(d) Disclose, in writing, the amount by which he/she has subsidized the Association's dues on a per Lot basis.

(e) The Association's money or control thereof.

(f) All of the Declarant's tangible personal property that has been represented by the Declarant as property of the Association or, unless the Declarant has disclosed in the Public Offering Statement that all such personal property used in the Project will remain the Declarant's property, all of the Declarant's tangible personal property that is necessary for, and has been used exclusively in, the operation and enjoyment of the common elements, and inventories of the Project.

(g) A copy of any plans and specifications used in the construction of the improvements in the Project which were completed within two (2) years before the Declaration was recorded.

(h) All insurance policies then in force in which the Members, the Association, or its Directors and Officers are named as insured persons.

(i) Copies of any certificates of occupancy that may have been issued with respect to any improvements comprising the Project other than the Lots.

(j) Any renewable permits and approvals issued by governmental bodies applicable to the Project which are in force and any other permits and approvals so issued and applicable which are required by law to be kept on the premises of the Project.

(k) Written warranties of the contractor, subcontractors, suppliers and manufacturers for the Common Elements that are still effective.

(l) A roster of Owners and Mortgages of Lots and their addresses and telephone numbers, if known, as shown on the Declarant's records.

(m) Contracts of employment in which the Association is a contracting party.

(n) any contract for service in which the Association is a contracting party or in which the Association or the Members have any obligation to pay a fee to the persons performing the services.

7.05 Adoption of Rules of the Association. The Board of Directors shall adopt Rules and Regulations of the Association consistent with the following requirements of NRS 116.31065:

The Rules and Regulations adopted by the Association:

1. Must be reasonably related to the purpose for which they are adopted.
2. Must be sufficiently explicit in their prohibition, direction or limitation to inform a person of any action or omission required for compliance.
3. Must not be adopted to evade any obligation of the Association.
4. Must be consistent with the Governing Documents and must not arbitrarily restrict conduct or require the construction of any capital improvement by a Member that is not required by the Governing Documents of the Association
5. Must be uniformly enforced under the same or similar circumstances against all Members. Any rule that is not so uniformly enforced may not be enforced against any Member.
6. May be enforced by association through the imposition of a fine only if the association complies with the requirements set forth in NRS 116.31031.

7.06 Failure to Comply with Governing Documents. If a Lots' Owner, a tenant, or a guest of a Lot's Owner, violates any provision of the Governing Documents of the Association, the Board of Directors may, if the Governing Documents so provide:

1. Prohibit, for a reasonable time, the Lot's Owner, the tenant, or a guest of the Lot's Owner, from:
 - (a) Voting on matters related to the common-interest community.
 - (b) Using the Common Elements/Association Property.

The Board of Directors may not prohibit the Lot's Owner, the tenant or the guest of the Lot's Owner from using any vehicular or pedestrian ingress to or egress to go to or from the Lot including any area used for parking.

2. Impose a fine against the Lot's owner or the tenant or guest of the Lot's owner for each violation, except that a fine may not be imposed for a violation that is the subject of a construction penalty pursuant to NRS 116.310305. If the violation poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of the Project, the amount of the fine must be commensurate with the severity of the violation and must be determined by the Board of Directors in accordance with the governing documents. If the violation does not pose an imminent threat causing a substantial adverse effect on the health, safety or welfare of the units owners or residents of the Project, the amount of the fine must be determined by the Board of Directors in accordance with the governing documents, but the amount of the fine must not exceed \$100 for each violation or a total amount of \$1,000.00, whichever is less. The limitations on the amount of the fine do not apply to any interest, charges or cost that may be collected by the association pursuant to this section if the fine becomes past due.

3. The Board may not impose a fine pursuant paragraph 2 unless:

(a) Not less than 30 days before the violation, the person against whom the fine will be imposed has been provided with written notice of the applicable provisions of the governing documents that form the basis of the violation;

(b) Within a reasonable time after the discovery of the violation, the person against whom the fine will be imposed has been provided with:

(1) Written notice specifying the details, of the violation, the amount of the fine, and the date, time and location for a hearing on the violation; and

(2) A reasonable opportunity to contest the violation at the hearing.

4. The board must schedule the date, time and location for a hearing on the violation so that the person against whom the fine will be imposed is provided with a reasonable opportunity to prepare for the hearing and to be present at the hearing.

5. The board must hold a hearing before it may impose the fine, unless the person against whom the fine will be imposed:

(a) Pays the fine;

(b) Executes a written waiver of the right to the hearing; or

(c) Fails to appear at the hearing after being provided with proper notice of the hearing.

6. If a fine is imposed pursuant to paragraph 2 and the violation is not cured within fourteen (14) days or within any longer period that may be established by the Board of Directors, the violation shall be deemed a continuing violation. Thereafter, the Board of Directors may impose an additional fine for the violation for each seven (7) day period or portion thereof that the violation is not cured. Any additional fine may be imposed without notice and an opportunity to be heard.

7. The Board may appoint a committee, with not less than three members, to conduct hearings on violations and to impose fines pursuant to this section. While acting on behalf of the Board for these limited purposes, the committee and its members are entitled to all privileges and immunities and are subject to all duties and requirements of the Board and its members.

8. Any past due fine:

(a) Bears interest at the rate established by the Association, not to exceed the legal rate per annum.

(b) May include any costs of collecting the past due fine at a rate established by the association. If the past due fine is for a violation that does not threaten the health, safety or welfare of the residents of the common-interest community, the rate established by the Association for the costs of collecting the past due fine:

(1) May not exceed \$20.00, if the outstanding balance is less than \$200.00.

(2) May not exceed \$50.00, if the outstanding balance is \$200.00 or more, but is less than \$500.00.

(3) May not exceed \$100.00, if the outstanding balance is \$500.00 or more, but is less than \$1,000.00.

(4) May not exceed \$250.00, if the outstanding balance is \$1,000.00 or more, but is less than \$5,000.00.

(5) May not exceed \$500.00, if the outstanding balance is \$5,000.00 or more.

(c) May include any costs incurred by the Association during a civil action to enforce the payment of the past due fine.

9. As used in this section:

(a) "Costs of collecting" includes, without limitation, any collection fee, filing fee, recording fee, referral fee, fee for postage or delivery, and any other fee or cost that an association may reasonably charge to the Lot's owner for the collection of a past due fine. The term does not include any costs incurred by an association during a civil action to enforce the payment of a past due fine.

(b) "Outstanding balance" means the amount of a past due fine that remains unpaid before any interest, charges for late payment or costs of collecting the past due fine are added.

7.07 Notice Requirements for Assessment for a Capital Improvement or Commencement of a Civil Action. In accordance with NRS 116.3115 and in addition to Article III, Section 3.03 herein, the Association shall provide written notice to each Member of a meeting at which an assessment for a capital improvement or the commencement of a civil action is to be considered or action is to be taken on such assessment at least twenty-one (21) calendar days before the date of the meeting.

If any civil action in which the Association is a party is settled, the Board of Directors shall disclose the terms and conditions of the settlement at the next regularly scheduled meeting of the Board of Directors after the settlement has been reached. The Board of Directors may not approve a settlement which contains any terms and conditions that would prevent the Board of Directors from complying with the provisions of this subsection.

7.08 Prohibition on Lien Foreclosure. Notwithstanding any language in the recorded Declaration and in accordance with NRS 116.31162 (4), the Association may not foreclose a lien by sale for the assessment of a fine for a violation of the Declaration Bylaws, rules or regulations of the Association, unless the violation is of a type that threatens the health and welfare of the residents of the common-interest community.

7.09 Notice of Fines. In accordance with NRS 116.3108 (4), if the Association adopts a policy imposing fines for any violations of the governing documents of the association, the Secretary shall prepare and cause to be hand-delivered or sent by prepaid United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Lot's owner, a schedule of the fines that may be imposed for those violations.

7.10 Application of Assessment, Fee or Charge. In accordance with NRS 116.31145, the Association may not apply any assessment, fee or other charge that is paid by a Lot Owner toward a fine imposed by the Association against the Lot Owner.

7.11 Definition of the term "Emergency". In accordance with NRS Chapter 116, the term "emergency", as used in these Bylaws, shall mean any occurrence or combination of occurrences that:

- (a) Could not have been reasonably foreseen;
- (b) Affects the health, welfare, and safety of the Lot Owner(s) of the common-interest community;
- (c) Requires the immediate attention of, and possible action by, the Board of Directors; and
- (d) Makes it impossible to comply with the provisions of subsection 3 or 4.

7.12 Conflicts. 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 these Bylaws, the Declaration shall control.

ARTICLE VIII

MAINTENANCE MANUAL

8.01 Adoption By Board of Directors.

The Directors of the Association, as set forth in the Articles of Incorporation filed with the Office of Secretary of State, are hereby authorized to meet prior to the organizational meeting of the Association, to review and adopt a "Maintenance Manual" for the purpose of maintenance, repair and replacement of all of the Improvements to the Common Elements within the planned development. The Minutes of the Special Meeting by the Board of the Directors and the Maintenance Manual shall be included within the records of the Association.

8.02. Requirements of Maintenance Manual.

The Maintenance Manual shall provide a procedure which sets forth the manner and time for the maintenance, repair and/or replacement of all of the Improvements to the Common Elements within the planned development.

RATIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and the acting Secretary of the TERRASANO HOMEOWNERS ASSOCIATION, a Nevada non-profit corporation.

That the foregoing Bylaws constitute the Amended and Restated Bylaws of said Association, as duly adopted at a special meeting of the Board of Directors of the Association held on the 6th day of January, 2006.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 6th day of January, 2006.

Secretary