

BYLAWS
OF
CASTLE BAY SHORE COMMUNITY ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is CASTLE BAY SHORE COMMUNITY ASSOCIATION, INC. The principal office of the corporation shall be located at 333 North Rancho Road, Suite 530, Las Vegas, Nevada 89106, but meetings of members and directors may be held at such places within the State of Nevada as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Additional Property" shall mean the real property described in Article XII of the Declaration.

Section 2. "Articles of Incorporation" shall mean and refer to the Articles of Incorporation of Castle Bay Shore Community Association, Inc. including any amendments or modifications thereto, filed with the Secretary of State of the State of Nevada.

Section 3. "Association" shall mean and refer to Castle Bay Shore Community Association, Inc., a Nevada non-profit corporation, its successors and assigns.

Section 4. "Common Area" shall mean all portions of the Properties that are not Lots, roadways or rights-of-way.

Section 5. "Declarant" shall mean and refer to VISTA HILLS, INC., a Nevada corporation, and U. S. HOME CORPORATION, a Delaware corporation, their successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development. It shall not include any person or party other than U. S. HOME CORPORATION who purchases a Lot from VISTA HILLS, INC. or U. S. HOME CORPORATION, however, unless such purchaser is specifically assigned by a separate recorded instrument some or all of the rights held by VISTA HILLS, INC. or U. S. HOME CORPORATION, as Declarant under the Declaration of Covenants, Conditions and Restrictions for Castle Bay Shore Village of Los Prados, with regard to the conveyed property.

Section 6. "Declaration" shall mean and refer to the enabling Master Declaration of Covenants, Conditions and Restrictions of Castle Bay Shore Village of Los Prados, including any amendments thereto, recorded or to be recorded in the Office of the Recorder, County of Clark, State of Nevada.

Section 7. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust or other security instrument recorded in the records of the office of the Recorder of Clark County, Nevada, having priority of record over all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments).

Section 8. "First Mortgagee" shall mean and refer to any person named as mortgagee or beneficiary under any First Mortgage under which the interest of any Owner is encumbered, or any successor to the interest of any such person under such First Mortgage.

Section 9. "Lot" shall mean and refer to any plot of land within the Properties and shown upon any recorded subdivision map, with the exception of the Common Area. Lots may contain detached or attached housing.

Section 10. "Member" shall mean and refer to each Owner of a Lot or Parcel that is subject to assessment. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of a Lot or Parcel.

Section 11. "Mortgage Insurer or Guarantor" shall mean and refer to an insurer or governmental guarantor of a First Mortgage.

Section 12. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of fee simple title to any Lot or Parcel which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. The term "Owner" shall include "Declarant".

Section 13. "Parcel" shall mean and refer to any part of the Properties other than the Common Area, Lots, streets and roadways, and land owned by a governmental body or agency or public utility company, whether or not such Parcel is developed

or undeveloped, and without regard to the use or proposed use of such Parcel. Any Parcel, or part thereof, however, for which a subdivision plat has been filed of record shall, as to such portions, cease being a Parcel, or part thereof, and shall become Lots.

Section 14. "Properties" shall mean and refer to that certain real property described in the Declaration and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held during the same month of each year thereafter.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written notice of the Members who are entitled to vote one-fourth (1/4) of all the votes of the Class A membership.

Section 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 15 days before such meeting to each Member entitled to vote thereat,

addressed to the Member's address last appearing on the books of the Association. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of the Members entitled to cast, or of proxies entitled to cast, fifty percent (50%) 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.

Section 5. Notice and Quorum for Any Action Authorized Under Declaration Article VI, Sections 3 and 4. Any other provision hereof to the contrary notwithstanding, written notice of any meeting called for the purpose of increasing the maximum annual assessment or levying a special assessment for capital improvements (pursuant to Article VI, Sections 3 and 4 of the Declaration) shall be given to all Members not less than 10 days or more than 90 days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Any such increase or levy must have the vote or written assent of sixty-seven percent (67%) of each class of members who are voting in person or by proxy at a meeting duly called for that purpose.

Section 6. 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 or Parcel.

Section 7. Mortgages. All First Mortgagees shall have the right to designate a representative to attend all meetings of the Members of the Association.

Section 8. Voting. The Association shall have two classes of voting membership: Class A and Class B. When more than one person or entity holds an interest to any Lot or Parcel, the vote for such Lot or Parcel shall be exercised as such persons determine, but in no event shall more than the number of votes hereinafter designated be cast with respect to any such Lot or Parcel, nor shall any split vote be permitted with respect to such Lot or Parcel. The two classes of voting memberships and voting rights related thereto are as follows:

A. Class A. Class A members shall be all Owners, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned.

B. Class B. The Class B member shall be the Declarant. Class B Lots and Parcels shall be all Lots and Parcels owned by the Declarant which have not been converted to Class A as provided below. The voting rights appurtenant to the Class B Lots and Parcels shall be as follows:

1. Lots. The Declarant shall be entitled to nine (9) votes for each Class B Lot which it owns.
2. Parcels. The Declarant shall be entitled to thirty-six (36) votes per acre for each Class B Parcel and designated for Single-Family Residential Use.

C. Termination of Class B. From time to time, Class B membership may cease and be converted to Class A membership, and any Class B Lots and Parcels then subject to the terms of the Declaration shall become Class A Lots and Parcels upon the happening of any of the following events, whichever occurs earlier:

1. When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or
2. On December 31, 1991; or
3. When the Declarant waives in writing its right to Class B membership.

D. Computation. Where votes of a Class A or Class B member are determined by the acreage in a Parcel, the votes shall be calculated by multiplying the acreage of the Parcel by

the number of votes per acre, and rounding to the nearest whole number. For example, if a Class B Parcel designated for use as single-family residential use shall contain 24.3 acres, the Class B Owner shall be entitled to ninety-seven (97) votes. Acreage shall be as determined in good faith by the Secretary of the Association.

Unless otherwise provided herein, in the Declaration or the Articles, the Members shall act by a majority vote of those present in person or by proxy.

Section 9. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Veterans Administration: (a) dedication, mortgage or conveyance of the Common Area and (b) amendment of the Declaration. A draft of the amendment should be submitted to the Veterans Administration for its approval prior to recordation.

Section 10. Entitlement To Vote. Any other provision hereof to the contrary notwithstanding, only those Owners who have become such at least fifteen (15) days prior to the mailing of any notice of any meeting shall be entitled to receive such notice and to vote at such meeting.

ARTICLE IV

BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 1. Number; Initial Designation. The affairs of this Association shall be managed by a board of not less than three (3) or more than nine (9) directors, who need not be

members of the Association. The Declarant shall designate the members of the first Board of Directors, and they, or individuals designated by the Declarant as their replacements, shall continue to serve in such capacity and shall exercise all powers of membership, including adoption of bylaws, until the first annual meeting of members which shall be called by the Board of Directors immediately after control of the Association has been turned over to the lot owners by the Board when Class B membership has ceased or when no new living unit construction has been initiated on the Properties of Castle Bay Shore Village for a period of six (6) months unless there is other evidence of continuing construction. Any vacancy among this initial group shall be filled by the Declarant of the Covenants.

Section 2. Term of Office. At the first annual meeting of the Association called in accordance with Section 1 of this Article IV, the Members shall for the first time have the right to elect directors. Directors shall be elected to serve for a term of one (1) year.

Section 3. Removal. Any director elected by the Members may be removed from the Board, with or without cause, by a two-thirds 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.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without 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 of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors 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 chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members 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 from among Members or nonmembers.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. 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 Section 8 of Article III of these Bylaws. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually without notice, at such place and hour as may be fixed from time to time by resolution of the Board.

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

Section 3. 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 at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWER AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities thereon and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and the right to use recreational facilities, if any, of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days, for infraction of published rules and regulations;

(c) 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 of Incorporation or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(e) employ a manager, a managing agent, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and

(f) to exercise any power necessary to carry on any and all operations necessary or convenient in connection with the Project.

In addition to any requirements set forth in the Declaration and notwithstanding anything to the contrary set forth in the Bylaws, the Board of Directors shall not (a) unless it has obtained the prior written consent of at least sixty-seven percent (67%) of all classes of Members and/or First Mortgagees (based upon one vote for each First Mortgage owned), (1) by act or omission, change, waive, or abandon any scheme of architectural control, or enforcement thereof, as set forth in the Declaration, regarding the design or maintenance of the Lots or Parcels, or improvements thereon or the Common Area, (2) fail to maintain full current replacement cost fire and extended insurance coverage on the Common Area or (3) use hazard insurance proceeds for Common Area property losses for purposes other than to repair, replace, or reconstruct such property; or (b) unless it has obtained the prior written consent of at least sixty-seven percent (67%) of all classes of Members and 100% of all First Mortgagees (based upon one vote for each First Mortgage owned), (1) by act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer any common property owned, directly or indirectly, by the Association for the benefit of the Owners (excluding the granting of easements for public utilities or other purposes consistent with the intended use of such common property or as provided in the Declaration, Article III), or (2) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner.

Furthermore, any agreement for professional management of the Association's business, must provide for termination by either party with cause and without payment of a termination fee upon thirty (30) days prior written notice, and shall have a maximum term of three (3) years. All such management contracts to be entered into by the Association with a manager or managing agent prior to or during the period of control by the Declarant or developer shall be subject to review and approval by the Veterans Administration. The provisions of this paragraph shall be contained verbatim, in each and every such management contract.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) supervise all officers, agents, and employees of this Association, and see that their duties are performed;

(c) (1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) foreclose the lien against any Lot or Parcel for which assessments are not paid within thirty (30) days after due date or bring an action of law against the Owner personally obligated to pay the same.

(d) issue, or cause an appropriate officer or authorized agent 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 the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain insurance coverage;

(f) cause the Common Area to be maintained and provide for the landscaping and maintenance of the Common Area; and

(g) notify in writing the First Mortgagee or Mortgage Insurer of any Lot, upon request, when the Owner thereof is in default in the payment of any assessment, or otherwise in default of any obligation under the Declaration, Articles of Incorporation, or these Bylaws and the Board has actual knowledge of such default, and said default has not been cured within sixty (60) days after the Board has actual knowledge thereof, provided that said First Mortgagee or Mortgage Insurer has previously given notice in writing to the Association of the existence of such First Mortgage.

ARTICLE VIII

RIGHTS OF THE ASSOCIATION

Subject to the limitations of Article VII, Section 1 of these Bylaws, this Association may exercise any and all rights or privileges given to it under the Declaration, the Articles of Incorporation or these Bylaws, or as may otherwise be given to it by law, and every other right or privilege reasonably to be implied therefrom or reasonably necessary to effectuate any such right or privilege.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice-president, who shall at all times be Members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create. Officers need not be members of the Association.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the first Board of Directors and at each meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless the officer shall sooner resign, or shall be removed, or shall otherwise be disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of a special officer created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

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

Vice-President

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

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; shall keep the corporate seal of the Association and affix it on all papers requiring said seal; shall serve notice of meetings of the Board and of the Members; shall keep appropriate current records showing the Members of the Association together with their address; and shall perform such other duties as required by the Board.

Treasurer

(d) 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 of

Directors; shall sign all promissory notes of the Association; shall keep proper books of account; shall cause an annual compilation report of the Association books to be made at the completion of each fiscal year, to include at the option of the Board of Directors an annual review and an audited financial statement; shall prepare an annual budget to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members; and shall sign, or authorize a designated agent to sign all checks of the Association, except that a designated agent shall not be authorized to sign any Association check not co-signed by the president.

ARTICLE X

COMMITTEES

The Board of Directors of the Association may appoint an Architectural Control Committee, subject to the provisions of the Declaration, and shall appoint a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI

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 or any First Mortgagee of any Lot. The Declaration, the Articles of Incorporation, and the Bylaws of

the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the due date at the rate of ten percent (10%) per annum, or \$10.00, whichever is greater, and the Association may bring an action of law or in equity against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, other expenses 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 by non-use of the Common Area or abandonment of his Lot or Parcel.

ARTICLE XIII

CORPORATE SEAL

The Association shall have a seal in circular form and within its circumference the words: CASTLE BAY SHORE COMMUNITY ASSOCIATION, INC.

ARTICLE XIV

AMENDMENTS

Section 1. 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.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and the Bylaws, the Declaration shall control; and in the case of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

ARTICLE XV

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify every director and officer, and his or her heirs, executors and administrators, against all loss, costs and expense, including counsel fees, reasonably incurred in connection with any action, suit, or proceeding to which such person may be party by reason of being or having been a director or officer of the Association, except for matters in which such person shall be finally adjudged in such action, suit, or proceeding to be liable for gross negligence or willful misconduct; provided, however, that such indemnity shall be limited to the amount of coverage provided to the Association by any policy of officers and directors liability insurance. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement

as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs, and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as common expenses. Nothing contained in this Article shall, however, be deemed to obligate the Association to indemnify any Member or Owner who is or has been a director or officer of the Association with respect to any duties or obligations, assumed or liability incurred as a Member or Owner under or by virtue of the Declaration.

ARTICLE XVI

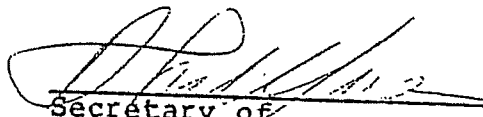
MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of March and end on the last day of February every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. Membership Certificate. The Association shall issue a certificate of membership to each Member, but the certificate thereof shall not be transferred, pledged, assigned or alienated in any way; provided, however, that upon the sale

of any Lot or Parcel the Association shall cancel the certificate of the seller and shall issue a new certificate to the buyer thereof. Any prohibited transfer shall be void and shall not be reflected upon the books and records of the Association. In the event any Owner shall fail or refuse to surrender his certificate of membership upon sale of his Lot or Parcel the Association shall have the right to record the transfer of the membership upon the books of the Association and shall issue a new certificate to the purchaser and thereupon the old certificate outstanding in the name of the seller shall be null and valid as though the same had been surrendered.

I hereby certify that the above and foregoing Bylaws are a true and correct copy of the Bylaws of CASTLE[®] BAY SHORE COMMUNITY ASSOCIATION, INC. as adopted on the 10th day of November, 1986.


Secretary of
CASTLE BAY SHORE COMMUNITY
ASSOCIATION, INC.