

**BY-LAWS
OF
THE SUMMERLIN COUNCIL**

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Article I
NAME, PRINCIPAL OFFICE, AND DEFINITIONS

- 1.1. Name. The name of the corporation shall be The Summerlin Council.
- 1.2. Principal Office. The principal office of The Summerlin Council shall be located in Las Vegas, Nevada, or at such other place in Clark County, Nevada, as the Board of Directors of The Summerlin Council (the "Council Board") may from time to time fix by majority vote.
- 1.3. Definitions. The words used in these By-Laws shall have their normal, commonly understood definitions unless otherwise specified. Capitalized terms shall have the same meaning as set forth in the Amended and Restated Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Summerlin North Community Association (the "Declaration") as filed in the Clark County, Nevada, land records, unless the context indicates otherwise.
- 1.4. Diagrams. Throughout this document, there are diagrammatic summaries to aid the reader's comprehension and use of the Restrictions. In the event of a conflict between any diagrammatic summary and the text of any of the Restrictions, the text shall control.

Article II
PURPOSE AND FUNCTION OF SUMMERLIN COUNCIL

- 2.1. Summerlin. Howard Hughes Properties, Limited Partnership, a Delaware limited partnership ("Declarant"), has established a general plan of development for the mixed-use planned community known as Summerlin. Summerlin may be described as a community comprised of constituent parts, which include one or more Community Associations. In furtherance of such general plan of development, Declarant has recorded in the Public Records the Declaration and may record similar declarations of covenants, conditions, and restrictions for other Community Associations (all such documents recorded or to be recorded collectively referred to as "Community Association Declarations"). The Declarant also has recorded, or shall record, in the Public Records the Summerlin Council Commercial Covenants and Easements (the "Commercial Covenants"), which will place covenants, conditions, restrictions, and easements upon and otherwise govern portions of Summerlin which are not subject to any Community Association Declaration (the "Commercial Properties"). The Community Association Declarations and the Commercial Covenants establish a reasonable arrangement for the

maintenance and operation of property and facilities and for the provision of community services benefiting the Summerlin community. The Community Association Declarations and the Commercial Covenants also set forth an equitable allocation of the costs of such arrangements.

The general plan of development for Summerlin contemplates various types of development, including, but not limited to, commercial, residential, and resort. Regardless of the type of development, all property within the Summerlin community shall be subject to governance by The Summerlin Council. In addition, particular portions of the community may be subject to their own independent community governance structures and Community Association Declarations.

2.2. Purpose and Function of The Summerlin Council. The Summerlin Council shall be the entity responsible for management, maintenance, operation and control over such property and matters as are of interest to the Summerlin community in accordance with the Community Association Declarations and the Commercial Covenants. In addition, The Summerlin Council shall have the authority to engage in other activities which will actively foster and promote the common good and general welfare of the Summerlin community, its property owners, and the surrounding community.

The Summerlin Council shall be a nonprofit corporation without members created pursuant to Nevada law. The purpose of The Summerlin Council is to provide an entity through which the community known as Summerlin may work together as a planned and unified region which offers housing and commercial opportunities, recreation, diversity and quality of life, while protecting and preserving open space, water quality, places of historical significance, and the general physical character of the area.

The Summerlin Council shall perform its functions in accordance with these By-Laws, the Articles of Incorporation of The Summerlin Council (the "Summerlin Council Articles"), and Nevada law.

Article III

ADMINISTRATION OF THE SUMMERLIN COUNCIL

3.1. Management. The Summerlin Council shall have no members. The affairs of The Summerlin Council shall be managed by its Board of Directors, in accordance with these By-Laws, the Community Association Declarations, and the Commercial Covenants.

3.2. Meetings. The Council Board, as it, in its sole and absolute discretion, deems necessary or appropriate, may hold meetings for all Summerlin occupants, residents and owners. The Council Board shall set the time, place and agenda for such meetings and shall post notice of the meetings in prominent places throughout Summerlin.

3.3. Special Meetings. It shall be the duty of the Council Board to call a special meeting as directed by resolution of a majority of a quorum of the Council Board. The notice of

any special meeting shall be given in the same manner as that for special meetings of the Council Board, which manner is described in Section 4.8 of these By-Laws. No business shall be transacted at a special meeting except as stated in the notice.

Article IV

BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. Composition, Term and Appointment.

4.1. **Governing Body.** The Summerlin Council shall be governed by a Board of Directors (the "Council Board"). Each director shall have one equal vote. Each director shall be a natural person of at least 18 years of age.

4.2. **Number of Directors.** The Council Board shall consist of three to seven directors. The initial Council Board shall consist of the three individuals named in the Summerlin Council Articles.

4.3. **Format of Council Board.** The Council Board shall consist of three to seven persons, including a chairperson. After the Council Board consists of more than three directors, the day-to-day activities of the Council Board shall be conducted through two committees, each consisting of at least three Council Board members as appointed by the chairperson, who shall serve as one member of each committee. One committee shall be primarily responsible for the business affairs of the Council (known as the "Business Affairs Committee") and, in its actions, inaction, and deliberations, must act within the scope of its governing documents, which are the Community Association Declarations, the Commercial Covenants, The Articles of Incorporation of The Summerlin Council and these By-Laws (the "Summerlin Council Governing Documents"), and must also act with good faith to further the legitimate interests of The Summerlin Council.

The other committee shall be responsible primarily for the governance affairs of the Council (known as the "Governance Affairs Committee"). The Governance Affairs Committee, in its deliberations, shall limit its actions to those reasonably related to The Summerlin Council's purposes; to those reasonably related to or within The Summerlin Council's powers, as provided by the Summerlin Council Governing Documents and as provided by the laws of the State of Nevada; and to those that are reasonable in scope. The Governance Affairs Committee shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Declaration and in these By-Laws.

Upon the request of officers of at least two Community Associations or a majority of the Commercial Owners, or a sixty percent (60%) vote of the Council Board members, decisions of either committee may be appealed to the entire Council Board which shall then reconsider the issue at its next regular or special meeting. A request for reconsideration shall serve as an automatic stay in the implementation of the action under review.

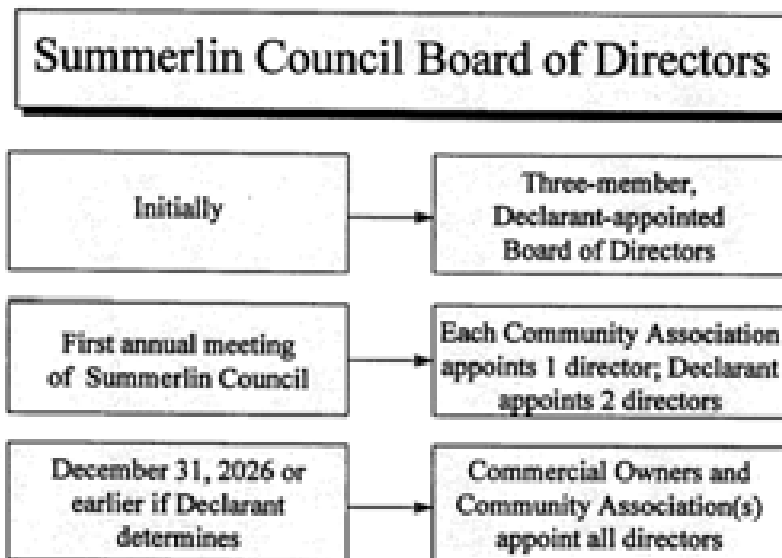
4.4. Term of Office and Appointment. The initial members of the Council Board shall serve until the first annual meeting of The Summerlin Council. At the first annual meeting, each Community Association shall be entitled to appoint one director, and Declarant shall be entitled to appoint two directors. The Summerlin Council may expand the Council Board as it deems appropriate; provided, however, until the occurrence of one of the events set forth in subsections (a) or (b), below, (i) Declarant shall appoint a majority of the directors; and (ii) each Community Association shall appoint no more than two directors. Each director shall serve a term of three years, subject to The Summerlin Council's right to prescribe a shorter period in order to stagger directors' terms.

The Community Associations and those owners whose property is subject to the Commercial Covenants shall be entitled to appoint all directors upon the first to occur of the following:

- (a) December 31, 2026; or
- (b) when, in its sole discretion, the Declarant so determines.

Upon the occurrence of such event, each Community Association shall appoint an equal number of directors, the owners of property subject to the Commercial Covenants shall elect one director, and the Community Associations, collectively, shall appoint any additional directors necessary to impanel the Council Board. The Community Associations shall agree among themselves upon such additional directors to be appointed.

After the Community Associations and Commercial Owners are entitled to appoint all directors and upon the expiration of the term of office of each such director, the group who appointed the director shall appoint a successor director to serve a term of three years.



4.5. Removal of Directors and Vacancies. Any director may be removed, with or without cause, by a vote of a majority of the other directors or by the Declarant in its sole and absolute discretion, for so long as the Declarant continues to own any portion of the Properties. Any director whose removal is sought shall be given written notice prior to any action being taken to remove him. Upon removal of a director, a successor shall be appointed in the manner provided in Section 4.4 to fill the vacancy for the remainder of such director's term.

B. Meetings.

4.6. Organizational Meeting. The first meeting of the Council Board shall be held within 90 days following the date of issuance of a certificate of incorporation at such time and place as the Council Board shall fix.

4.7. Regular Meetings. Regular meetings of the Council Board may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter. Notice of the time and place of the meeting shall be communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

4.8. Special Meetings. Special meetings of the Council Board shall be held when called by written notice signed by the President or Secretary of The Summerlin Council or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile, computer, fiber optics or any such other electronic communication device.

All such notices shall be given at the director's telephone, fax, or e-mail number, or sent to the director's address as shown on the records of The Summerlin Council. Notices sent by first class mail shall be deposited into a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, facsimile, or other device shall be delivered, telephoned, or transmitted at least 72 hours before the time set for the meeting.

4.9. Waiver of Notice. The transactions of any meeting of the Council Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

4.10. Quorum of Council Board. At all meetings of the Council Board, a majority of the directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which there is a quorum shall constitute the decision of the Council Board except as otherwise specifically provided in these By-Laws. The members of the Council Board present at 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 that meeting.

If any meeting of the Council Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

4.11. Compensation. Unless otherwise approved by board resolutions of a majority of the Community Associations, no director shall receive any compensation from The Summerlin Council for serving as a director. A director may be reimbursed for expenses incurred on behalf of The Summerlin Council upon approval of a majority of the other directors. Nothing herein shall prohibit The Summerlin Council from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to The Summerlin Council in a capacity other than as a director pursuant to a contract or agreement with The Summerlin Council, provided that such director's interest was made known to the Council Board prior to entering into such contract and such contract was approved by a majority of Directors other than the interested director.

4.12. Conduct of Meetings. The President shall preside over all meetings of the Council Board, and the Secretary shall keep a minute book of Council Board meetings, recording all Council Board resolutions and all transactions and proceedings occurring at such meetings. The Council Board is authorized, but not obligated, to utilize computer voting and to employ cable television and other electronic methods for its meetings, revenue collection and other appropriate activities so as to provide the broadest possible, relevant participation or observation of its decision-making processes.

4.13. Open Meetings. Subject to the provisions of Section 4.15, all meetings of the Council Board shall be open to all officers and directors or their authorized representatives. Except in the case of meetings, as provided for in Article III, owners and occupants in Summerlin may attend meetings only with permission of the Council Board. An attendee other than a director may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, the President may adjourn any meeting of the Council Board and reconvene in executive session, excluding persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

4.14. Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Council Board by telephone conference call, fiber optics, or similar audio or video communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Those directors so participating shall be deemed to be present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Council Board.

4.15. Action without a Formal Meeting. Any action that may be taken at a meeting of the directors may be taken without a meeting if consent in writing, setting forth the action so taken, is signed by all of the directors. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

4.16. Powers. The Council Board shall have all the powers provided under Nevada law and all the powers necessary for the administration of The Summerlin Council's affairs, for furthering the general purposes of The Summerlin Council, and for performing all responsibilities and exercising all rights of The Summerlin Council as appropriate for the common good and general welfare of the Summerlin community as set forth in the Commercial Covenants, the Summerlin Council Articles, these By-Laws and as provided by law.

The Council Board may exercise such powers in its business judgment in order to accomplish the goals and objectives of The Summerlin Council and the Summerlin community as set forth in the Community Association Declarations, in the Commercial Covenants, and in resolutions The Summerlin Council may adopt. Such goals and functions shall include creative uses of the common property and amenities to draw people together and shall include projects, activities, and services meeting the needs of heterogeneous groups while retaining the overall homogeneous quality of the Summerlin community. The powers of the Council Board shall include, without limitation:

- (a) owning real and personal property;
- (b) operating and maintaining the Summerlin Council Area of Common Responsibility, which is defined as the property which is the responsibility of The Summerlin Council; such property may include ownership in fee or by lease and may also include land and facilities over which the Council has operation and control responsibilities or for which The Summerlin Council has a maintenance easement;
- (c) making or contracting for the making of repairs, additions, and improvements to or alterations of the Summerlin Council Area of Common Responsibility;
- (d) sponsoring and engaging in activities, projects, and the provision of services designed to promote the Summerlin community;

(e) entering into contracts and other agreements for the benefit of the Summerlin community;

(f) designating, hiring, and dismissing personnel necessary to carrying out the Summerlin Council's rights and responsibilities and, where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(g) facilitating the resolution of disputes involving the Summerlin community as specifically prescribed by the Community Association Declarations or the Commercial Covenants;

(h) taking such action as deemed necessary or appropriate to further the Summerlin community's goals and the Council's mission as set out in the Community Association Declarations and the Commercial Covenants; and

(i) fixing and levying Summerlin Council Specific Assessments, in accordance with the Commercial Covenants and the Community Association Declarations.

4.17. Duties. Duties of the Council Board shall include, without limitation:

(a) preparing and adopting annual budgets for Summerlin Council Expenses and, if appropriate, establishing each individually-owned commercial property's share of such expenses;

(b) levying assessments against each individually-owned commercial property for its share of the Summerlin Council Expenses in accordance with the Commercial Covenants, if appropriate;

(c) providing for the operation, care, upkeep, and maintenance of the Summerlin Council Area of Common Responsibility in accordance the Summerlin Community-Wide Standard;

(d) establishing the means and methods of collecting assessments against commercial property, if appropriate, and other revenue;

(e) opening bank accounts on behalf of The Summerlin Council and designating authorized signatories;

(f) depositing all funds received on behalf of The Summerlin Council in depositories which it shall approve, and using such funds to operate The Summerlin Council; provided, any reserve fund may be deposited, in the directors' business judgment, in depositories other than banks;

(g) enforcing the obligations of the Community Associations and owners in accordance with the governing documents of the Community Associations, which shall include each Community Association Declaration and the by-laws and articles of incorporation of each Community Association (the "Community Association Governing Documents"), to the extent that such Community Association Governing Documents provide that The Summerlin Council may enforce all or a portion of the provisions included therein, and the Summerlin Council Governing Documents, and bringing any proceedings which may be instituted on behalf of or against the Community Associations, owners or others concerning the Summerlin community; provided, The Summerlin Council shall not be obligated to take any action to enforce any covenant, restriction or rule which the Council Board reasonably determines is, or is likely to be, inconsistent with applicable law, in any case in which the Council Board reasonably determines that The Summerlin Council's position is not strong enough to take such enforcement action, or if the Council Board otherwise determines, in its business judgment, that such enforcement action would be inappropriate;

(h) obtaining and carrying property and liability insurance on the Summerlin Council Area of Common Responsibility as provided herein; obtaining fidelity bonds on all persons responsible for handling funds on behalf of The Summerlin Council; provided, however, The Summerlin Council shall have the duty to obtain such fidelity bonds only after the Community Associations and the Commercial Owners are entitled to appoint all directors, as provided in Section 4.4; paying the cost of such insurance and bonds; and filing and adjusting claims, as appropriate;

(i) paying the cost of all services provided to or on behalf of The Summerlin Council;

(j) keeping detailed books of account and operating records; and

(k) permitting utility suppliers and others to use portions of the Summerlin Council Area of Common Responsibility as reasonably necessary to the ongoing development or operation of Summerlin.

4.18. Implied Rights; Council Board Authority. The Summerlin Council may exercise any right or privilege given to it expressly by any Community Association Declaration, the Commercial Covenants, or these By-Laws or which may be reasonably implied from, or reasonably necessary to effectuate, any such express right or privilege. Except as otherwise specifically provided in the Summerlin Council Governing Documents, or by law, all rights and powers of The Summerlin Council may be exercised by the Council Board.

4.19. Preparation of Budget. At least 90 days before the beginning of each fiscal year, the Council Board shall prepare a budget covering the estimated Summerlin Council Expenses during the coming year, including a capital contribution to establish a reserve fund as provided in Section 4.20 ("Budget"). The Budget shall include operational and administrative costs of The Summerlin Council such as, by way of example and not limitation, payment of insurance premiums, ad valorem taxes on property owned by The Summerlin Council, and

salaries and related costs of personnel. The Budget shall take into account any cash balances of The Summerlin Council going forward, any amounts collected from owners of property obligated to contribute to The Summerlin Council's expenses pursuant to a covenant to share costs or other agreement, any amounts collected from Commercial Owners obligated to contribute to The Summerlin Council's expenses pursuant to the Commercial Covenants, and any amounts collected from use and consumption fees.

So long as the Declarant owns any portion of the Summerlin community, it may, but shall not be obligated to, subsidize operations of The Summerlin Council, which may be treated as either a contribution or loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Budget. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between The Summerlin Council and the Declarant.

The Budget shall automatically become effective unless disapproved by Declarant, so long as Declarant owns any portion of the Properties or has the right to annex property pursuant to the terms of any Community Association Declaration.

If the Council Board fails for any reason to determine the Budget for any year, then until such time as a Budget is adopted, the Budget in effect for the immediately preceding year, increased by five percent, shall be the Budget for the current year.

4.20. Reserve Budget and Capital Contribution. The Board shall annually prepare a reserve budget which takes into account the number and nature of replaceable assets within the Summerlin Council Area of Common Responsibility, the expected life of each asset, and the expected repair or replacement cost.

4.21. Summerlin Council Insurance. The Summerlin Council, acting through its Board of Directors or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available and affordable and to the extent the Council Board deems reasonably necessary:

(a) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the property owned by The Summerlin Council. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by The Summerlin Council shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(b) Commercial general liability insurance on the property owned or maintained by The Summerlin Council insuring The Summerlin Council for damage or injury caused by negligence of The Summerlin Council or any of its employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least

\$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost in the judgment of a reasonably prudent person, The Summerlin Council shall obtain such additional coverage or limits;

(c) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(d) Directors and officers liability coverage;

(e) Commercial crime insurance, including fidelity insurance covering all persons responsible for handling The Summerlin Council funds in an amount determined in the Council Board's business judgment but not less than an amount equal to one-sixth of the annual Budget plus reserves on hand; provided, however, the Council Board shall be required to obtain such fidelity insurance only after the Community Associations become entitled to appoint all directors, as provided in Section 4.4. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(f) Such additional insurance as the Council Board, in the exercise of its business judgment, determines advisable, which may include, without limitation, flood insurance, HVAC and machinery insurance, and building ordinance coverage.

4.22. Power of Declarant To Disapprove Actions. For so long as the Declarant or any affiliate of Declarant owns any property within the Summerlin community, directly or indirectly, in whole or in part, the Declarant shall have a right to disapprove any action, policy, activity, service, or project of The Summerlin Council which, in the sole judgment of the Declarant, would tend to impair rights of the Declarant or to interfere with development, construction, marketing or sale of any portion of the Summerlin community, or diminish the level of services being provided by The Summerlin Council.

No such action, policy, activity, service, or project shall become effective or be implemented until and unless:

(a) The Declarant is given written notice of the proposed action and any meeting at which it is to be considered. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of The Summerlin Council, and shall comply with the notice requirements of these By-Laws. Except in the case of the regular meetings held pursuant to the By-Laws, such notice shall set forth in reasonable particularity the agenda to be followed at such meeting.

(b) The Declarant is given the opportunity at any such meeting to participate in or to have its representatives or agents participate in discussion of any proposed action, policy, activity, service, or project which would be subject to the right of disapproval set forth herein.

The Declarant, its representatives or agents shall make its concerns and suggestions known to the Council Board. The Declarant, acting through any officer, director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, within 10 days following receipt of written notice of the proposed action. This right to disapprove shall not include a right to require any action or counteraction on behalf of The Summerlin Council, except to the extent necessary to reverse the disapproved action.

4.23. Management. The Council Board may employ a professional management agent or agents for The Summerlin Council at such compensation as the Council Board may establish, to perform such duties and services as the Council Board shall authorize. The Council Board may delegate to the management agent, subject to the Council Board's supervision, such powers as are necessary to perform the management agent's assigned duties but shall not delegate policymaking authority or those duties set forth in subsections (a), (b), (e), or (g) of Section 4.17. The Declarant, or an affiliate of the Declarant, may be employed as a management agent.

The Council Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of any management agent which might arise between meetings of the Council Board.

4.24. Accounts and Reports. The following management standards of performance shall be followed unless the Council Board specifically determines otherwise:

(a) Accrual accounting, as defined by generally accepted accounting principles, shall be employed.

(b) Accounting and controls should conform to generally accepted accounting principles.

(c) Cash accounts of The Summerlin Council shall not be commingled with any other accounts.

(d) No remuneration shall be accepted by the management agent from vendors, independent contractors, or others providing goods or services to The Summerlin Council, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit The Summerlin Council.

(e) Any financial or other interest which the management agent may have in any firm providing goods or services to The Summerlin Council shall be disclosed promptly to the Council Board.

(f) Commencing at the end of the month following establishment of the initial Budget for The Summerlin Council, financial reports shall be prepared at least quarterly containing:

- (i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;
- (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
- (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (iv) a balance sheet as of the last day of the preceding period; and
- (v) a delinquency report listing all those who are delinquent in paying any assessments or other revenue due to The Summerlin Council at the time of the report and describing the status of any action to collect such assessments or revenue which remain delinquent (Any assessment or installment thereof shall be considered to be delinquent on the 30th day following the due date unless otherwise specified by Council Board resolution.).

(g) An annual report consisting of at least the following shall be made available to all Community Associations and to Commercial Owners upon request, within 120 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such report shall be prepared on an audited or reviewed basis, as the Council Board determines, by an independent public accountant.

4.25. Borrowing. To the fullest extent allowed by the laws of the State of Nevada, The Summerlin Council and the Council Board shall have the power to borrow money, contract debts, and issue evidences of indebtedness for any purpose. The Council and the Council Board shall have the power to secure such debts, which shall include, without limitation, the power to pledge collateral including property and future assessment income or future income to be generated pursuant to any covenant to share costs or other agreement.

4.26. Right To Contract. The Summerlin Council shall have the right to contract with any person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with non-profit entities that are exempt from federal income tax under the Internal Revenue Code (including, but not limited to, Sections 501(c)(3) or 501(c)(4)), any trust, condominium, cooperative, and any Community Association or other owners or residents association within or outside the Summerlin community.

4.27. Enforcement. The Summerlin Council shall have the power to enforce the provisions of these By-Laws as provided herein, the Commercial Covenants, and any Community Association Governing Documents to the extent that such governing documents provide that The Summerlin Council may enforce all or a portion of the provisions included therein. In addition to such other rights as may be specifically granted under the Commercial

Covenants and any Community Association Declaration, the Board shall have the power to impose reasonable monetary fines for violation of any duty imposed thereunder or under these By-Laws which shall be assessed as a Specific Assessment against the property of the violating owner or Community Association. The failure of the Council Board to enforce any provision of these By-Laws, any Community Association Declaration, or the Commercial Covenants shall not be deemed a waiver of the right of the Council Board to do so thereafter.

(a) Notice. Unless otherwise provided by these By-Laws, the Commercial Covenants, or any Community Association Declaration, the Council Board shall not impose any sanction pursuant to this Section unless and until the Council Board follows the procedures set forth in this subsection and subsection (b), below. If the Council Board is considering imposing any sanction hereunder, the Council Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10-days within which the alleged violator may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a hearing is requested within 10 days of the notice. If a timely request is not made, the sanction stated in the notice shall be imposed; provided, the Council Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any person.

Notice of Enforcement Action

- Identify nature of alleged violation
- Identify proposed sanction
- Provide alleged violator with minimum 10-day period to request hearing
- State that proposed sanction will be imposed if hearing not requested

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held in executive session affording the alleged violator a reasonable opportunity to be heard. Prior to any sanction becoming effective, proof of proper notice shall be placed in the minute book of the Council Board. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if

the alleged violator requests a hearing. The minutes of the hearing shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Additional Enforcement Rights. The Council Board may elect to enforce any provision in any covenants or the By-Laws by self-help (specifically including, but not limited to, towing vehicles that violate parking rules and regulations) or by suit to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above, and entry upon property for the purpose of exercising this right shall not be deemed a trespass. In any such action, to the maximum extent permissible, the person responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred.

Article V **OFFICERS**

5.1. Officers. The Summerlin Council officers shall be a President, Secretary, and Treasurer. The President shall also act as the Chairperson of the Council Board. The Council Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties the Council Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

5.2. Election and Term of Office. The Council Board shall elect the officers of The Summerlin Council at such times as it deems appropriate. Officers may serve terms of such length as may be designated by the Council Board, not to exceed three years.

5.3. Removal and Vacancies. Whenever in its judgment the best interests of The Summerlin Council will be served, the Council Board may remove any officer, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise for the unexpired portion of the term.

5.4. Powers and Duties. Officers of The Summerlin Council shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Council Board. The President shall be the chief executive officer of The Summerlin Council. The Treasurer shall have primary responsibility for the preparation of the Budget for The Summerlin Council expenses and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

5.5. Resignation. Any officer may resign at any time by giving written notice to the Council Board, the President, or the Secretary. Such resignation shall take effect on the date of the 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.

5.6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of The Summerlin Council shall be executed by at least one officer or by such other person or persons as may be designated by Council Board resolution.

5.7. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 4.11.

Article VI **COMMITTEES**

The Council Board may appoint such committees, in addition to the Business Affairs Committee and the Governance Affairs Committee described in Section 4.3, as it deems appropriate to perform such tasks and to serve for such periods as the Council Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. The Council Board shall assist, oversee or give authority to committees created pursuant to any Community Association Declaration or the Commercial Covenants to the extent provided in such covenants.

No committee may take any of the following actions:

- (a) Amend, alter or repeal the By-Laws;
- (b) Elect, appoint or remove any member of any such committee or any Director or Officer of The Summerlin Council;
- (c) Amend or repeal the Summerlin Council Articles, adopt a plan of merger or a plan of consolidation with another corporation;
- (d) Authorize the sale, lease or exchange of all of the property and assets of The Summerlin Council;
- (e) Authorize the voluntary dissolution of The Summerlin Council or revoke proceedings therefor;
- (f) Adopt a plan for the distribution of assets of The Summerlin Council; or
- (g) Amend, alter or repeal any resolution of the Council Board unless it provides by its terms that it may be amended, altered or repealed by a committee.

Summerlin Council Committees

Business Affairs
Committee

Governance Affairs
Committee

Any other committee
appointed by Council
Board in accordance
with Article VI

Article VII MISCELLANEOUS

7.1. Fiscal Year. The fiscal year of The Summerlin Council shall be set by Council Board resolution. In the absence of a resolution, the fiscal year shall be the calendar year.

7.2. Parliamentary Rules. Except as may be modified by Council Board resolution, Robert's Rules of Order (the then current edition) shall govern the conduct of Summerlin Council proceedings when not in conflict with Nevada law, the Articles of Incorporation of The Summerlin Council, or these By-Laws.

7.3. Conflicts. If there are conflicts between the provisions of Nevada law, the Articles of Incorporation of The Summerlin Council, and these By-Laws, the provisions of Nevada law, the Summerlin Council Articles, and the By-Laws (in that order) shall prevail. In the event of a conflict between the Commercial Covenants and these By-Laws or the Summerlin Council Articles, the Commercial Covenants shall control, to the extent not inconsistent with Nevada Law. In the event of a conflict between any Community Association Declaration and these By-Laws or the Summerlin Council Articles, these By-Laws or the Summerlin Council Articles shall control, to the extent not inconsistent with Nevada law.

7.4. Books and Records.

(a) Inspection by Owners and Mortgagees. The Summerlin Council shall maintain or cause to be maintained full and accurate books of account with respect to

performance of its responsibilities under these By-Laws, the Commercial Covenants, and any Community Association Declaration. The Council Board shall make the following available for inspection and copying by any holder, insurer or guarantor of a first mortgage on any individually owned property, the duly authorized representative of any of the foregoing, or any authorized representative of a Community Association, during normal business hours or at any other reasonable time and for a purpose reasonably related to his or her interest in such property: the Summerlin Council Articles, Summerlin Council By-Laws, rules of The Summerlin Council, including any amendments to the foregoing, books of account, and the minutes of meetings of the Council Board and committees. The Summerlin Council shall provide for such inspection to take place at the office of The Summerlin Council or at such other place within the community as the Council Board determines.

The Council Board shall provide for The Summerlin Council's records to be audited on an annual basis. If any Community Association or any Owner desires to have the records audited at any other time, an audit shall be performed by an auditor mutually agreed upon by the requesting party and The Summerlin Council. The Summerlin Council shall cooperate by making available to the party performing the audit the records, including all supporting materials (e.g., check copies, invoices, etc.) for the year in question. The party requesting such audit shall be responsible for all costs associated with performing the audit.

(b) Rules for Inspection. The Council Board may establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of The Summerlin Council. The right of inspection by a director includes, upon reasonable request, the right to make one copy of relevant documents at the expense of The Summerlin Council.

7.5. Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or three days after deposited in the United States Mail, first class postage prepaid:

(a) if to a Community Association or owner, at the address which the Community Association or owner has designated in writing and filed with the Secretary or, if no such address has been designated, at either the address of the registered office of such Community Association or owner or at the address of such owner's property; and

(b) if to The Summerlin Council, the Council Board, or the managing agent, at the principal office of The Summerlin Council or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Community Association and owners pursuant to this Section.

7.6. Amendment.

The power to alter, amend, or repeal these By-Laws and to adopt new By-Laws shall be vested in the Council Board and shall be exercised in accordance with Nevada law.

No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

Article VIII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Summerlin Council shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section and Nevada law.

Officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. Officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of The Summerlin Council (except to the extent that such officers or directors may also be Members of a Community Association or owners of property subject to the Commercial Covenants). The Summerlin Council shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Summerlin Council shall, as a Summerlin Council Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

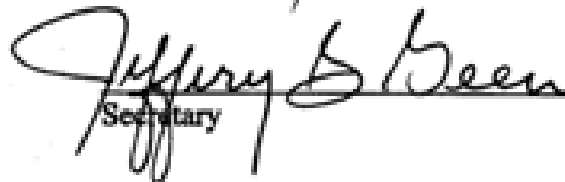
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of The Summerlin Council, Inc., a Nevada corporation;

That the foregoing By-Laws constitute the original By-Laws of said The Summerlin Council, as duly adopted at a meeting of the Board of Directors of The Summerlin Council held on the 13 day of Nov., 1997.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said The Summerlin Council this 13 day of Nov., 1997.

 [SEAL]
Secretary