

ARTICLES OF INCORPORATION
OF

RECEIVED-LAS VEGAS

JAN 30 1990

LA JOLLA CLASSIC HOMEOWNERS ASSOCIATION APPROVED

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, being residents of the State of Nevada, do hereby associate ourselves together for the purpose of forming a non-profit corporation pursuant to the provisions of Sections 81.410 through 81.540, inclusive, of Nevada Revised Statutes, and we do hereby make, subscribe, acknowledge and adopt the following Articles of Incorporation:

I.

NAME

The name of the corporation (hereinafter called the "Association") is as follows:

LA JOLLA CLASSIC HOMEOWNERS ASSOCIATION

II.

POWERS AND PURPOSE

The Association does not contemplate pecuniary gain or profit to the Members hereof, and the specific primary purposes for which it is formed are to perform those obligations of the Association and exercise those rights of the Association which are set forth in or referenced in that certain Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for La Jolla Classic, dated for purposes of reference as of the ___ day of _____, 1989 and recorded on _____, 1989 as Instrument No. _____ in Book _____ of Official Records in the Office of the County Recorder of Clark County, Nevada (which Declaration, as it may be amended from time to time, is hereinafter referred to as the "Declaration"). Capitalized terms set forth in these Articles shall have the meanings set forth in the Declaration. In furtherance of and incidental and supplemental to said purposes, the Association shall have power to do the following:

(a) Perform all of the duties and obligations and exercise all of the powers, privileges and rights of the Association as set forth in the Declaration;

(b) Fix, levy, collect and enforce payment by any lawful means, charges and assessments in accordance with the rights and obligations

gations of the Association as set forth in or referenced in the Declaration;

(c) Pay all expenses incident to the furtherance of the purposes of the Association, including all licenses, taxes and governmental charges levied or imposed against any property of the Association;

(d) Subject to the provisions of the Declaration and the other provisions of these Articles of Incorporation, acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer or otherwise dispose of real or personal property in connection with the affairs of the Association;

(e) Subject to the provisions of the Declaration and the other provisions of these Articles of Incorporation, borrow money, mortgage, pledge, deed in trust or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(f) Subject to the provisions of the Declaration and the other provisions of these Articles of Incorporation, dedicate, sell or transfer all or any part of the property or property interests of the Association to a public agency, authority or utility.

(g) Subject to the provisions of the Declaration and the other provisions of these Articles of Incorporation, participate in mergers and consolidations with other non-profit corporations organized for the same purposes; provided, however, that any merger or consolidation shall require the approval of Members casting affirmative votes equal to at least two-thirds (2/3) of the voting power of each class of voting rights of the membership then in existence;

(h) Specifically incidental to and in furtherance of the specific and primary purposes for which the Association is formed, and subject to the provisions of the Declaration and the other provisions of these Articles of Incorporation, carry on any other lawful activity or do anything whatsoever which the Association may deem proper or convenient or

capable of being carried on, or which may be calculated directly or indirectly to promote the interests of the Association or of the property so long as said activity is incidental to and in furtherance of said stated purposes, and to have, enjoy and exercise in furtherance of said stated purposes, all of the rights, powers and privileges which are now or which may hereafter be conferred upon non-profit corporations by the laws of the State of Nevada, including the right to do any and all of the things hereinbefore set forth, as principal and as agent, to the same extent as natural persons might or could do.

III.

PRINCIPAL PLACE OF BUSINESS

The principal office for the transaction of the business of the Association is to be located at _____, Las Vegas, Clark County, Nevada 891_____, and the principal business of the Association will be transacted in Clark County, Nevada.

IV.

MEMBERSHIP AND VOTING POWER

4.1 The incorporators, MCKELLAR DEVELOPMENT GROUP, INC., a Nevada corporation (hereinafter and in the Declaration referred to as "Declarant") and every person or entity which now or hereafter holds title in fee simple to all or any portion or percentage of a Lot, including contract sellers, shall be Members of the Association. The foregoing is not intended to include, nor shall it include persons or entities which hold an interest merely as security for the performance of an obligation. Except for the membership of the incorporators and Declarant, membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Nor may membership be resigned by any individual or entity which continues as record owner of a fee title interest in all or any portion or percentage of a Lot.

4.2 Classes of Voting Membership.

The Association shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall originally be all Owners with the exception of Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Lot owned and subject to assessment. Declarant shall

become a Class A Member with regard to Lots owned by Declarant upon conversion of Declarant's Class B Membership as provided below. When more than one Person holds an interest in any Lot, all such Persons shall be Members. The vote for such Lot shall be exercised in accordance with Article IV, Section 4.3, and in no event shall more than one (1) Class A vote be cast with respect to any Lot.

Class B. The Class B Member shall be Declarant and Declarant shall be entitled to three (3) votes for each Lot owned by Declarant and subject to assessment. The Class B Membership shall cease and be converted to Class A Membership on the earlier to occur of (i) four (4) months after the Close of Escrow for the sale of seventy-five percent (75%) of all Lots in the Properties and the Annexable Territory, or (ii) five (5) years after the first Close of Escrow for the sale of a Lot in the Properties.

4.3 Vote Distribution.

All voting rights shall be subject to the restrictions and limitations provided in the Declaration and in these Articles and Bylaws. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one Person holds such interest or interests in any Lot ("co-owner"), all such co-owners shall be Members and may attend any meetings of the Association, but only one such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such co-owners may from time to time all designate in writing one of their number to vote. Fractional votes shall not be allowed, and the Class A vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such Lot shall be exercised as the majority of the co-owners of the Lot mutually agree. Unless the Board receives a written objection from a co-owner, it shall be presumed that the corresponding voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Lot where the co-owners present in person or by proxy owning the majority interests in such Lot cannot agree to said vote or other action. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in the Declaration or in the Bylaws, shall be deemed to be binding on all Owners, their successors and assigns.

V.

TERM

The term for which this corporation is to exist shall be fifty (50) years.

VI.

BOARD OF DIRECTORS

The affairs of the Association shall be managed by and (unless otherwise expressly provided herein or in the Declaration or Bylaws of the Association) undertaken through action of a Board of not less than five (5) nor more than seven (7) Directors, who need not be Members of the Association. The actual number of Directors shall be set forth in the Bylaws of the Association and may be changed from time to time in conformance with the foregoing by amendment of the Bylaws. At the time of Association incorporation, the Board shall consist of three (3) Directors, and the names and addresses of the persons who are to act in the capacity of Directors until the election of their successors and who are also incorporators are as follows:

James A. McKellar, Jr.
James Howard
Karen Menzell

VII.

DISSOLUTION

The Association may be dissolved in accordance with the provision of Nevada Revised Statutes §81.0075, as it may be amended from time to time, and upon dissolution of the Association, the assets of the Association shall be distributed as provided therein; provided, however, if VA and/or FHA agrees or has agreed to guarantee or insure loans on the initial sale of Lots by Declarant or one of Declarant's Developers, and if Class B voting rights are then in existence, dissolution of the Association will require the prior approval of VA or FHA as the case may be.

VIII.

AMENDMENT

Amendment of these Articles of Incorporation shall require the approval and consent of Members casting affirmative votes equal to at least sixty-seven percent (67%) of the voting power of the Members of the Association. IF VA and/or FHA agrees or has agreed to guarantee or insure loans on the initial sale of Lots within the properties by Declarant and if Class B voting rights are then in existence, any amendment of these Articles will require the approval of VA or FHA as the case may be. First mortgagees, insurers and guarantors who have requested written notice from the Association shall be entitled to timely written notice from the Association of any proposed action to amend these Articles of Incorporation. Amendments to these Articles of Incorporation which

are of a material nature must be approved by at least fifty-one percent (51%) of First Mortgagees (based upon one vote for each First Mortgage owned) and sixty-seven percent (67%) of the owners (other than Declarant). A change to any of the following would be considered "material":

(i) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Beneficiaries, insurers and guarantors of first Mortgages as provided in Articles VII, XI, XII, XIII and XV of the Declaration.

(ii) Any amendment which would necessitate a Mortgagee, after it has acquired a Lot through foreclosure, to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(iii) Any amendment which would or could result in a Mortgage being cancelled by forfeiture, or in a Lot not being separately assessed for tax purposes.

(iv) Any amendment relating to the insurance provisions as set out in Article XII of the Declaration, or to the application of insurance proceeds as set out in Article XI of the Declaration, or to the disposition of any money received in any taking under condemnation proceedings.

(v) Any amendment which would or could result in subdivision of a Lot in any manner inconsistent with the provisions of the Declaration.

(vi) Any amendment which would subject any Owner to a right of first refusal or other such restriction if such Lot is proposed to be sold, transferred or otherwise conveyed.

(vii) Any amendment concerning:

(A) Voting rights;

(B) Rights to use the Common Area;

(C) Reserves and responsibility for maintenance, repair and replacement of the Common Area;

(D) Leasing of Lots;

(E) Establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;

(F) Annexation or deannexation of property to or from the Properties; or

(G) Assessments, assessment liens, or the subordination of such liens.

An addition or amendment to these Articles shall not be considered "material" if it is for the purpose of correcting technical errors, or for clarification only. A first Mortgagee, insurer or guarantor who fails to submit a response to any written proposal for an amendment to these Articles of Incorporation within thirty (30) days after it receives proper notice of the proposal shall be deemed to have approved the proposed amendment. Section 2.1(e) and Article XIV of the Declaration may not be amended, nor shall any amendment be effective which would be counter to Section 2.1(e) or Article XIV of the Declaration or any other rights of Declarant, without the prior written consent of Declarant, so long as Declarant is an owner.

IX.

VA AND/OR FHA APPROVAL

If VA and/or FHA agrees or has agreed to guarantee or insure loans on the initial sale of Lots within the properties, and if Class B voting rights are then in existence, any of the following actions will require the approval of VA or FHA as the case may be.

(a) Mergers, consolidations or dissolution of the Association;

(b) Dedication, conveyancing or mortgaging of Common Area or Project Amenities;

(c) Amendment of these Articles of Incorporation.

X.

LIABILITY OF OFFICERS AND DIRECTORS

No Director or officer of the Association shall be personally liable to the Association or its Members for damages for breach of fiduciary duty as a Director, Officer or Delegate to the Master Association; provided, however, that this Article does not eliminate, nor does it limit, the liability of a Director, Officer, Delegate or alternate Delegate for any act or omission which involves intentional misconduct, fraud or a knowing violation of law.

Without limiting the foregoing, the limitation of liability provided for in this Article shall apply to the fullest extent permitted by the laws of the State of Nevada as they may exist at the time of the occurrence of any such alleged breach of fiduciary duty. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any limitation of personal liability of a Director, Officer or Delegate to the Master Association for acts or omissions which occurred prior to such repeal or modification.

XI.

INDEMNIFICATION

Every person who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit (including any action or suit by or in the right of the Association to procure a judgment in its favor) or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, Officer, or Delegate to the Master Association shall be indemnified and held harmless by the Association to the fullest extent legally permissible under the laws of the State of Nevada as they exist at the time such action, suit or proceeding is first threatened or commenced, against all liabilities, losses, expenses (including attorneys' fees), judgments, fines and amounts paid or to be paid in settlement, actually and reasonably incurred or suffered by him in connection with such action, suit or proceeding. Such right of indemnification shall be a contract right which may be enforced in any appropriate manner provided by law and/or equity. Such right of indemnification shall not be exclusive of any other valid and enforceable right which such person may have or hereafter acquire, including, without limiting the foregoing, any valid and enforceable right of indemnification under the Association's Bylaws, these Articles of Incorporation, any agreement, vote of Members or disinterested Directors or provision of law.

The expenses of the Association Directors, Officers, and Delegate to the Master Association incurred in defending any such civil or criminal action, suit or proceeding shall be paid by the

Association as they are incurred and in advance of the final disposition of the action, suit or proceeding; provided, however, that the Association must first be provided with an undertaking by or on behalf of the Director, Officer and Delegate to the Master Association to repay the amount so advanced if it is ultimately determined by a court of competent jurisdiction that the party is not entitled to be indemnified by the Association. The provisions of the foregoing sentence do not affect any rights to advancement of expenses to which Association personnel other than Directors, Officers and Delegate to the Master Association may be entitled under any contract or otherwise by law.

The indemnification and advancement of expenses authorized in, or ordered by a court pursuant to this Article do not exclude any other rights permitted by the laws of the State of Nevada to which a person seeking indemnification or advancement of expenses may be entitled under these Articles of Incorporation or the Association's Bylaws, any agreement, vote of Members or disinterested Directors or otherwise, for an action in his official capacity or an action in another capacity while holding his office; provided, however, that unless ordered by a court of competent jurisdiction or for the advancement of expenses as provided in the immediately preceding paragraph of this Article, indemnification may not be made to or on behalf of any Director, Officer or Delegate to the Master Association if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

Without limiting the application of the foregoing, the Board of Directors may adopt bylaws and resolutions from time to time with respect to indemnification, to provide the Association's Directors, Officers and Delegate to the Master Association, employees and/or agents with the most extensive indemnification permitted by the laws of the State of Nevada and may cause the Association to purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a Director, Officer, Delegate to the Master Association, employee or agent of the Association, for any liability asserted against him and liability and expenses incurred by him in any such capacity or arising out of his status as such, whether or not the Association has the authority to indemnify him against such liability and expenses.

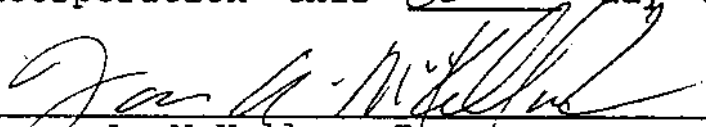
Any indemnification provided in this Article shall continue as to any person whose status as a Director, Officer or Delegate to the Master Association, employee, agent or representative has ceased and shall inure to the benefit of the heirs, executors and administrators of such person.

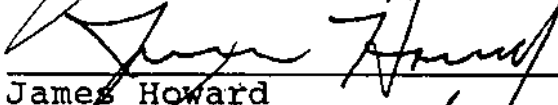
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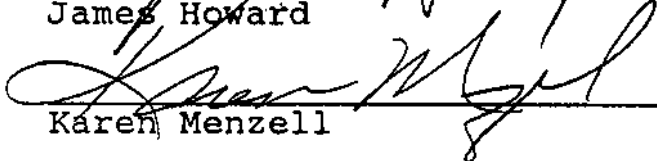
INTERPRETATION

In the event of any conflict between the provisions of these Articles of Incorporation and the provisions of the Declaration, the provisions of the Declaration shall prevail.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of Nevada, we, the undersigned, constituting the incorporators of this Association, have executed these Articles of Incorporation this 30TH day of JANUARY, 1990.


James A. McKellar, Jr.

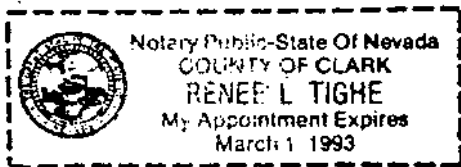

James Howard

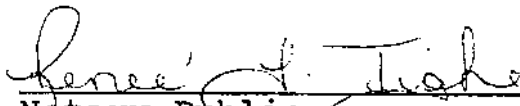

Karen Menzell

STATE OF NEVADA)
) ss:
COUNTY OF CLARK)

On this 30 day of January, 1990, personally appeared before me, the undersigned, a Notary Public in and for said County and State, JAMES A. MCKELLAR, JR., JAMES HOWARD and KAREN MENZELL, known to me to be the persons described in and who executed the foregoing Articles of Incorporation, who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

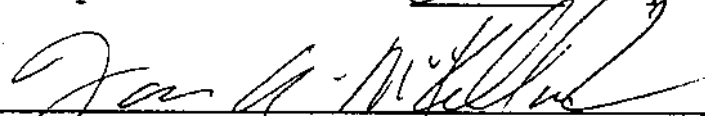



Notary Public

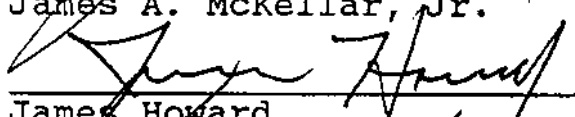
INTERPRETATION

In the event of any conflict between the provisions of these Articles of Incorporation and the provisions of the Declaration, the provisions of the Declaration shall prevail.

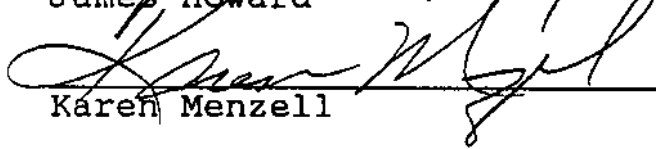
IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of Nevada, we, the undersigned, constituting the incorporators of this Association, have executed these Articles of Incorporation this 30th day of JANUARY, 1990.



 James A. McKellar, Jr.



 James Howard

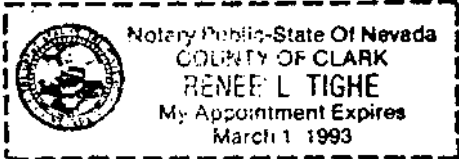


 Karen Menzell

STATE OF NEVADA)
) ss:
COUNTY OF CLARK)

On this 30 day of January, 1990, personally appeared before me, the undersigned, a (Notary Public in and for said County and State, JAMES A. MCKELLAR, JR., JAMES HOWARD and KAREN MENZELL, known to me to be the persons described in and who executed the foregoing Articles of Incorporation, who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.





 Notary Public