

BYLAWS OF
LEFFINGWELL CREEK
HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

DEFINITIONS

1. "Declaration" shall mean collectively, the Declaration of Covenants, Conditions, and Restrictions establishing a plan of condominium ownership and any amendments thereto, if any, recorded or to be recorded pursuant thereto, and applicable to the condominium development commonly known and referred to as Leffingwell Creek County of Los Angeles, State of California.

2. Each and every definition set forth in Article I of the Declaration shall have the same meaning herein as therein, and each and every such definition is incorporated by reference herein.

ARTICLE II

OFFICE

The principal office for the transaction of the business of the association is hereby fixed and located within the Covered Property, or as close thereto as practical in the County of Los Angeles State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said County.

ARTICLE III

MEMBERS

Section 3.1 - MEMBERSHIP. Every person or entity who is an Owner shall be a Member as provided in the Declaration. The provisions of these Bylaws, which are binding upon all Members, are not exclusive, as Members shall also be subject to the terms and provisions of the Articles, the Declaration and Association rules.

Section 3.2 - TERMINATION OF MEMBERSHIP. Membership in the Association shall automatically terminate when such Member sells and transfers his or her Residence.

Section 3.3 - VOTING RIGHTS. The Association will have the classes of voting membership and the same voting rights and requirements as set forth in the Declaration, including without limitation, so long as there is a class B membership, except as provided in Section 18.05 of the Declaration, the requirement of approval by the vote or written consent of the appropriate percentage of both the class A and class B membership for any action by the Association which requires the approval of the voting power of the association.

Section 3.4 - MEMBERSHIP CERTIFICATES. In its discretion, the Board may, but need not, issue appropriate membership certificates evidencing membership in the Association. If the Board elects to issue such certificates, they shall conform with the provisions of 313 (b) of the Nonprofit Mutual Benefit Corporation Law.

Section 3.5 - PLURAL MEMBERSHIP. A member may own more than one membership in the Association by complying with the qualifications to membership as to more than one (1) residence as set forth in Section 3.1 of this Article.

Section 3.6 - ASSESSMENTS. The Members shall be jointly, severally and personally liable for the payment of such assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration and these Bylaws.

Section 3.7 - ENFORCEMENT OF PAYMENT OF ASSESSMENTS. Should any member fail to pay his or her assessment before delinquency, the Association, in the discretion of the Board, shall have the right to enforce payment of such delinquent assessments pursuant to the Declaration.

Section 3.8 - ASSOCIATION RULES: ENFORCEMENT. The following provisions shall govern the promulgation of the Association Rules authorized by the Declaration which shall include the establishment of a system of fines and penalties:

(a) The Board in its discretion shall adopt such rules and regulations as are consistent with and in furtherance of existing law, the Declaration, the Articles and these Bylaws. Such rules and regulations shall take effect as the Association Rules.

(b) The Board in its discretion shall adopt a list of specific fines and penalties for the violation by any Member of the provisions of the Declaration, the Articles, these Bylaws and the Association Rules. Such fines and penalties shall be binding on all Members and shall be enforced by the Board as a Special Assessment. Such remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, the Declaration, the Articles, the Bylaws and the Association Rules.

(c) The Association or the Board cannot cause a forfeiture or abridgement of an owner's right to the full use and enjoyment

of his individually-owned subdivision interest on account of the failure of the owner to comply with provisions of the governing instruments or of duly-enacted rules of operation for common areas and facilities, except by judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the owner to pay assessments duly levied by the Association.

(d) A monetary penalty imposed by the Association or the Board as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the member was allegedly responsible or in bringing the member and his subdivision interest into compliance with the governing instruments may not be characterized or treated as an assessment which may become a lien against the member's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924 (b) and 2924 (c) of the Civil Code.

(e) The provisions of (d) do not apply to charges imposed against an owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent assessments.

(f) Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:

(i) A written statement of the alleged violations shall be provided to any Member against whom such charges are made, and such written statement shall provide a date on which the charges shall be heard.

(ii) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least thirty (30) days prior to that hearing.

(iii) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges.

(iv) The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairperson) who may or may not be Members, and who shall hear the charges and evaluate the evidence of the alleged violation.

(v) At such hearing the Member so charged shall be represented by counsel, have the right to present oral and written evidence, and to confront and cross-examine adverse witnesses.

(vi) The panel shall deliver to the Member so charged within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor.

(d) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV

MEETINGS OF MEMBERS

Section 4.1 - PLACE OF MEETING. All meetings of Members of the Association shall be held at the principal office of the Association, or at such other place in the County of Los Angeles as may be fixed from time to time by resolution of the Board.

Section 4.2 - ANNUAL MEETINGS. The first annual meeting of the Members shall be held in Los Angeles County within forty-five (45) days after fifty-one percent (51%) of the Residences located within the Covered Property have been sold or within six (6) months after the sale of the first Residence, whichever occurs first. Each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, provided, however, that the Board by resolution may fix a date for the meeting no more than fifteen (15) days before or after said date. If the day for the annual meeting is a legal holiday, the meeting will be held on the same hour on the first day following which is not a legal holiday.

Section 4.3 - SPECIAL MEETINGS. Special meetings of the Members may be called by:

(a) the vote for such a meeting by the majority of a quorum of the Board;

(b) the President;

(c) Members representing not less than five percent (5%) of the voting power of the Association; or

(d) Members representing not less than fifteen percent (15%) of the voting power held by Members other than the Declarant.

If a special meeting is called by Members pursuant to subsections (c) and (d) above, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail to the President, any vice-president, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 4.4 of this Article IV, that a meeting will be held, and the date for such meeting, which date shall be fixed by the Board for not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request. If the notice is not given within the twenty (20) days after receipt of the request, the Members requesting the notice may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board.

Section 4.4 - MORTGAGEE REPRESENTATION. First Mortgages shall have the right to attend all membership meetings through a representative designated in writing and delivered to the Board.

Section 4.5 - NOTICES OF MEETINGS. Written notice of meetings, annual or special, shall be given to each Member entitled to vote by the Board either (a) personally or (b) by sending a copy of the notice through the first class mail, postage prepaid, to his or her address appearing on the books of the Association, or supplied by him or her to the Association for the purpose of notice. If no such address appears on the books of the Association or is supplied to the Association by the Member, the Notice shall be mailed to the principal office of the Association and shall be published at least once in a newspaper of general circulation in the County in which the principal office of the Association is located. An affidavit of giving of any Notice or report in accordance with the provisions of this part, executed by the Secretary, Assistant Secretary or any Transfer Agent, shall be prima facie evidence of the giving of the Notice or report. All such notices shall be sent to each Member entitled thereto not less than ten (10) days nor more than ninety (90) days before each meeting; provided, however, that if notice is given by mail and not mailed by first class, registered

or certified mail, notice shall be given no less than twenty (20) days before the meeting. Notice of meetings shall also be posted at a prominent place or places within the Common Area of the Covered Property. Such notice shall specify the place, the day and the hour of such meeting.

In the case of a special meeting, the notice shall state the general nature of the business to be transacted and that no other business may be transacted. In the case of an annual meeting, the notice shall specify those matters which the Board, at the time of the giving of the notice, intends to present for action by the Association, but (except as provided in the California Nonprofit Mutual Benefit Corporation Law) any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of all those which are nominees at the time the notice is sent to Members.

Section 4.6 - NOTICE OF CERTAIN AGENDA ITEMS. If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal:

- (1) removing a director without cause;
- (2) filling vacancies in the Board by the Members;
- (3) amending the Articles.
- (4) approving a contract or transaction in which a director has a material financial interest; and
- (5) approving a plan of distribution of assets, other than cash, in liquidation when the Association has more than one class of memberships outstanding.

Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s).

Section 4.7 - QUORUM. The presence at the meeting of members or proxies or any combination thereof, entitled to cast a majority of the voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these Bylaws. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may conduct no business other than to adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. Except where a greater portion of the voting power (or where voting by classes) is required by the Articles, the Declaration or these Bylaws, the majority of the voting power present, in person or by proxy, shall prevail at all meetings. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by

at least a majority of the Members required to constitute a quorum.

Section 4.8 - ADJOURNMENT. In the absence of a quorum in a meeting of the Association, or when a Members meeting is adjourned to another time or place, notice need not be given of the adjourned meeting or the time and place thereof if announced at the meeting in which the adjournment is taken. When any meeting of the Members, either annual or special, is adjourned for forty-five (45) days or more, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the time and place of the adjourned meeting shall be given as in the case of the original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, other than by announcement thereof at the meeting in which such adjournment is taken.

Section 4.9 - WAIVER OF NOTICE; CONSENT OF ABSENTEES. The transaction of any business at any meeting of the Members, either annual or special, however called or noticed, shall be valid as though taken at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or approval of the minutes thereof. The waiver of notice or consent need not specify the business to be transacted or the purpose of the meeting, except where action is taken or proposed to be taken on items in Section 4-6, above. In such case, such waiver or consent must state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the records of the association or made part of the minutes of the meeting. Attendance of a Member at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the Member objects, at the beginning of the meeting, to the transaction of any business because the meeting is not legally called or noticed.

Section 4.10 - PROXIES. Every Member entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such Member, or by an agent or agents authorized by a written proxy executed by such Member or his or her duly authorized agent and filed with the Secretary of the Association.

No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution.

A validly executed proxy shall continue in full force and effect unless:

(a) revoked by the Member executing it, before the vote cast pursuant to that proxy, by a writing delivered to the Association stating that the proxy is revoked, or by a subsequent proxy executed by such Member and presented at a meeting, or, as to any meeting, by personal attendance and voting at that meeting by such Member;

(b) written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant to that proxy is counted; or

(c) the interest or interests which entitle the Member making the proxy to membership in the Association cease, in which case the proxy shall automatically and immediately terminate.

There shall be no irrevocable proxies.

Section 4.11 - ACTION WITHOUT MEETING. Unless otherwise provided in the Articles:

(a) With the exception of the election of Directors, any other action which may be taken at any annual or special meeting of Members may be taken without a meeting if ballots and/or consents (in writing) setting forth the action so taken are signed by the Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted.

(b) All such written ballots and/or consents shall be filed with the Secretary of the Association.

(c) The Board shall fix a record date for the determination of Members entitled to give such written ballot and/or consents, as provided in Article X of these Bylaws.

(d) Approval by written ballot and/or consent pursuant to this section shall be valid only if the written ballot and/or consent of every Member is solicited.

(e) Any Member giving a written ballot and/or consent, or the Member's proxy holder(s), or a transferee of the Member or a personal representative of the Member, or their respective proxy holder(s), may revoke the ballot or consent by a writing received by the Association prior to the time that the written ballots and/or consents of the number of Members required to authorize a proposed action have been filed with the Secretary of the Association, but may not do so thereafter. Such revocation, if timely, is effective upon its receipt by the Secretary of the Association.

(f) All ballots and/or consents solicited shall be done so in a manner consistent with the requirements for notice of a regular or special meeting, as set forth in Section 4.5 above. All such solicitations shall indicate the number of responses needed to meet the quorum requirements and, with respect to ballots and/or consents other than for the election of directors shall state the percentage of approval as necessary to pass the measures submitted. The solicitation must specify the time by which the ballot and/or consent must be received in order to be counted.

Section 4.12 - ASSOCIATION VOTING REQUIREMENTS. If a quorum is present at a meeting of the Association, the affirmative

vote of a majority of the voting power represented at the meeting, entitled to vote, and voting on any matter, shall be required in order to authorize, approve or sustain actions of the Association, unless the vote of a greater number or voting by classes is required by law or by the governing instruments of the Association. For as long as there are two classes of membership of the Association, any action requiring the approval of a prescribed percentage of the membership of the Association shall require the vote or written assent of the prescribed percentage of each class of membership in the Association, unless otherwise expressly provided by the Articles, these Bylaws or the Declaration.

ARTICLE V

DIRECTORS

Section 5.1 - POWERS. In addition to the powers and duties of the Board as set forth in the Declaration, the Articles, or elsewhere in these Bylaws, and subject to the limitations of the Articles, the Declaration, these Bylaws and of the California Nonprofit Mutual Benefit Corporation Law as to the action to be authorized or approved by the Members, all corporate powers shall be exercised by, or under the authority of, and the business and affairs of the Association shall be controlled by, the Board. Without prejudice to the general powers, but subject to the same limitations, the Board is vested with and shall have the following powers:

(a) to appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with the law, with the Articles, the Declaration and/or these Bylaws, to fix the compensation of agents and employees and to require from them security for faithful service when deemed advisable by the Board.

(b) to conduct, manage and control the affairs and business of the Association, and to enforce such rules and regulations therefor consistent with the law, the Articles, the Declaration and/or these Bylaws as the Board may deem necessary or advisable;

(c) to adopt, use, and/or modify the form of a corporate seal.

Section 5.2 - NUMBER AND QUALIFICATIONS OF DIRECTORS. The Board shall consist of three (3) directors until changed by an amendment of this section of the Bylaws, fixing or changing such number, but in no event shall there be less than three (3). A person may serve as a director without being a Member.

Section 5.3 - ELECTION AND TERM OF OFFICE. Until the holding of the first annual meeting of the Members referred to in Article IV if these Bylaws, the Board shall consist of those directors who are elected by the incorporator of this Association (who is specified in the Articles of Incorporation). Thereafter,

directors shall be elected at each annual meeting of Members for concurrent annual terms, but if any such annual meeting is not held, or if the directors are not elected thereat, the directors may be elected for concurrent annual terms, at any special meeting of Members held for that purpose. Election of directors shall be by secret written ballot. All directors shall hold office until their respective successors are elected. Notice of such meetings where elections are held shall include notice of such elections.

Section 5.4 - CUMULATIVE VOTING. Voting for the governing body shall be by secret written ballot. Cumulative voting in the election of directors shall be prescribed for all elections in which more than two positions on the Board are to be filled, subject only to the procedural prerequisites to cumulative voting prescribed in Section 7613(b) of the Corporations Code.

Section 5.5 - SPECIAL CLASS A VOTING RIGHTS. The Class A Member(s) shall be entitled to elect twenty percent (20%) of the total number of directors, adjusted for any fractional numbers, all as set forth in the Declaration.

Section 5.6 - NOMINATIONS.

(a) Nominating Committee. Nomination for election to the Board shall be made by a nominating committee consisting of three (3) persons. The nominating committee shall consist of a chairperson, who shall be a Member of the Board, and two (2) persons who may either be Members of the Association or representatives of the Declarant. Each member of the nominating committee shall be appointed by the Board to serve for a period of one year, and vacancies thereon shall be filled by the Board. The nomination 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 to be filled.

(b) Nominations From The Floor. If there is a meeting to elect directors, any Member present at the meeting, in person or by proxy, may place names in nomination.

Section 5.7 - VACANCIES.

(a) In General. A vacancy or vacancies on the Board shall be deemed to exist on the occurrence on one of the following:

- (i) the death, resignation, or removal of any director;
- (ii) the declaration by resolution of the Board of a vacancy of an office of a director who has been declared of unsound mind by an order of court or convicted of a felony or has been found by final order of judgment of any court to have breached a duty under Section 7230 and following of the California Non-Profit Mutual Benefit Corporation Law;

(iii) a vote of the majority of the Members at a meeting properly noticed and for which notice is given to the director(s) whose removal is being considered at said meeting;

(iv) if the Members shall increase the authorized number of directors but fail to elect the additional directors as provided for at the meeting in which such increase is authorized, or at an adjournment thereof; and

(v) in cases where the Members fail to at any time elect the full number of the authorized directors.

(b) Removal. An individual director shall not be removed when the votes cast against removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being elected. Upon any such motion or resolution for removal, every Member may cumulate his or her vote or votes, as the case may be, in the same manner as provided for the election of directors in these Bylaws. In the event that any or all directors are so removed, new directors may be elected at the same meeting. Notwithstanding the foregoing, a director elected pursuant to the Special Class A voting rights set forth in the Declaration may only be removed by the vote or written assent of a majority of the Class A Members.

(c) Resignations. Except as provided otherwise in these Bylaws, any director may resign, which resignation shall be effective on giving written notice to the President, the Secretary, or the Board, unless the notice specifies a later time for the resignation to become effective.

(d) Vacancies filled by Board. Vacancies on the Board may be filled by a vote of a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his or her successor is elected at an annual meeting of the Members, or at a special meeting called for that purpose. Notwithstanding the foregoing provisions of this Subsection 5.7(d), vacancies occurring in the Board by reason of the removal of a director or directors may be filled only by a vote of the Members in accordance with Subsection (b), above.

(e) Vacancies filled by Members. The Members may, at any time, elect directors to fill any vacancy not filled by the directors, and, in the event the number of directors is increased, may elect the additional directors at the meeting at which the amendment of the Bylaws is voted authorizing the increase in the number of directors.

(f) No Vacancy on Decrease in Number. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

(g) Special Rule for Class A Directors. Notwithstanding the foregoing, a vacancy caused by the death, resignation or removal of any director elected pursuant to the special Class A voting rights set forth in the Declaration may only be filled by the vote or written assent of a vote of the majority of Class A Members.

Section 5.8 - PLACE OF MEETING. All meetings of the Board shall be held at the principal office of the Association, or at any other place or places within the Covered Property designated at time to time by resolution of the Board or by written consent by all directors.

Section 5.9 - ORGANIZATIONAL MEETING. Immediately following each annual meeting of the Members, the Board shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting shall not be required.

Section 5.10 - OTHER REGULAR MEETINGS. Other regular meetings of the Board of Directors shall be held without call at such place within the Covered Property and day and hour as may be fixed from time to time by resolution of the Board, provided, should said day fall upon a legal holiday, then the meeting which otherwise would be held on said day will be held at the same time on the next day thereafter ensuing which is not a legal holiday. Regular meetings shall be held monthly. Notice of all such regular meetings of the Board shall be given personally or by telephone not less than four (4) days, or by mail or telegraph dispatched not less than seven (7) days, prior to such meeting; provided, however, that notice of the time and place of any regular meeting shall be posted at a prominent and accessible place or places within the Covered Property not less than four (4) days prior to the scheduled time of the meeting.

Section 5.11 - SPECIAL MEETINGS - NOTICE. Special meetings of the Board of Directors for any purpose may be called at any time by the President or by any two (2) directors other than the President.

Notice of the time and place of special meetings shall be given to each director by one of the following methods:

- (a) by personal delivery or written notice;
- (b) by first class mail, postage prepaid;
- (c) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; or
- (d) by telegram, charges prepaid.

All such notices shall be given or sent to the director's address or telephone number as shown in the records of the corporation.

Notices sent by first class mail shall be deposited into the United States mailbox at least four (4) days before the time set for the meeting. If notice is given by personal delivery, telephone or telegraph, it shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

The notice shall state the time and place for the meeting and the nature of any special business to be considered. A copy of the notice shall be posted in the manner prescribed for posting notices of regular meetings.

Section 5.12 - WAIVER OF NOTICE. * The transactions of any meeting of the Board of Directors, 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. All waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of the 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..

Section 5.13 - QUORUM. A majority of the number of directors as fixed by the Articles or these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law.

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.

Section 5.14 - ADJOURNMENT. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the time and place of holding of an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place to which the meeting is adjourned shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

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Section 5.15 - ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board may be taken without a meeting if all of its members consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three days after the written consents of all governing body members have been obtained.

Section 5.16 - ATTENDANCE AT MEETINGS OF THE BOARD. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of the majority of the quorum of the directors. The Board may, with the approval of the majority of the quorum of the directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and other business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE VI

COMMITTEES

Section 6.1 - COMMITTEES OF DIRECTORS. The Board may, by resolution adopted by a majority of the directors then in office, designate one (1) or more executive committees, each consisting of two (2) or more directors, to serve at the pleasure of the Board. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board; provided, however, that no committee, regardless of Board resolution, may:

(a) take any final action on matters which, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members;

- (b) fill vacancies on the Board or in any committee;
- (c) fix compensation of the directors for serving on the Board or on any committee;
- (d) amend, repeal or adopt Bylaws;
- (e) amend or repeal any resolution of the Board which, by its express terms, is not so amendable or repealable;
- (f) appoint any committee of the Board or the members of such a committee; or
- (g) approve any transactions:
 - (1) to which the Association is a party and one or more directors has a material financial interest; or
 - (2) between the Association and one or more of its directors or between the Association or any person in which one or more of its directors has a material financial interest.

Section 6.2 - MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article V of these Bylaws concerning meetings of directors, with such changes in the context of these Bylaws as are necessary to substitute the committee and its members to the Board and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members of those committees, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE VII

OFFICERS

Section 7.1 - OFFICERS. The officers shall be the President and Vice-President (both of whom shall at all times also be directors, other officers need not be directors), the Secretary and the Chief Financial Officer. All officers shall be elected by and shall hold office at the pleasure of the Board. Any two (2) or more of such offices may be held by the same person, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as the President.

Section 7.2 - ELECTION OF OFFICERS. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 7.3 and 7.6 shall be chosen annually by the Board and each shall hold his or her office, at the pleasure of the Board, until he or she shall resign or shall be removed or otherwise be disqualified to serve, subject to the rights, if any, of an officer under any contract of employment, or until his or her successor shall be elected and qualified.

Section 7.3 - SUBORDINATE OFFICERS. The Board may appoint other such officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as is provided in these Bylaws or as the Board may, from time to time, determine.

Section 7.4 - REMOVAL OF OFFICERS. Subject to the rights, if any, of any officer under any contract of employment, any officer may be removed, with or without cause, by the vote of a majority of all of the directors then in office at any regular or special meeting of the Board in which a quorum is present.

Section 7.5 - RESIGNATION OF OFFICERS. Any officer may resign at any time by giving written notice to the Chairman of the Board and to the President or Secretary of the Association. Any such resignation shall take effect as of the date of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 7.6 - OFFICER'S VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled only in the manner prescribed in these Bylaws for regular appointments to such office.

Section 7.7 - RESPONSIBILITIES OF OFFICERS.

(a) President - The President shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Association. He or she shall preside at all meetings of the Members, and at all meetings of the Board of Directors. He or she shall be an ex officio member of all executive committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation. The President shall have any other powers and duties prescribed by the Board or these Bylaws.

(b) Vice President - In the absence or disability of the President, the Vice President shall perform all of the duties of the President, and, when so acting, shall have all the powers of, and be subject to all of the restrictions upon the office of the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him or her respectively by the Board of Directors, the President or these Bylaws.

(c) Secretary - The Secretary shall attend to the following:

(1) Book of Minutes - The Secretary shall keep or cause to be kept, at the principal executive office or other such place as the Board may direct, a book of minutes of all meetings and actions of directors, committees of directors and Members, with the time and place of holding, whether regular or special and, if special, how authorized, the notice given, the names of those present at such meetings, the number of Members present or represented at Members' meetings and the proceedings of such meetings.

(2) Membership Records - The Secretary shall keep, or otherwise cause to be kept, at the principal executive office, as determined by resolution of the Board, a record of the Association's Members, showing the names of all Members, their addresses, the property to which each membership relates, the number of memberships held by each Member, the number of votes represented by each Member, the number and date of membership certificates issued, if any, and the number and date of cancellation of membership certificates if any.

(3) Members of the Board - The Secretary shall keep, or cause to be kept, at the principal executive office, as determined by resolution of the Board, the names and addresses of all members of the Board.

(4) Notices, Seal and Other Duties - The Secretary shall give, or cause to be given, notice of all meetings of the Members and the Board required by the Bylaws or by law to be given, and he or she shall keep the seal of the Association in safe custody. He or she shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

(d) Chief Financial Officer - The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital,

retained earnings, and other matters customarily included in financial statements. The books of account shall be kept open at all reasonable times to inspection by any director or by any Member. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board; shall disburse the funds of the Association as may be ordered by the Board; shall render to the President and the Board, whenever so requested, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the Association; and shall have other powers and perform such other duties as may be prescribed by the Board of these Bylaws.

If required by the Board, the Chief Financial Officer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faith or performance of the duties of his or her office and for restoration to the corporation of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE VIII

RECORDS AND REPORTS

Section 8.1 - INSPECTION RIGHTS. Any Member of the Association may:

(i) inspect and copy the records of Members' names and addresses and voting rights during usual business hours on five (5) days' prior written demand on the Association, stating the purpose for which the inspection rights are requested; and

(ii) obtain from the Secretary of the Association, on written demand and on the tender of the Secretary's usual charges for such a list, if any, a list of names and addresses of Members who are entitled to vote for the election of directors, and their voting rights, as of the most recent record date for which that list has been compiled; or as of a date specified by the Member after the date of demand. The demand shall state the purpose for which the list is requested. The list shall

be made available to any such Member by the Secretary on or before the later of ten (10) days after the demand is received or the date specified in it as the date by which the list is to be compiled.

Any inspection and copying under this section may be made in person or by an agent or attorney of the Member and the right of inspection includes the right to copy and make extracts.

Section 8.2 - MAINTENANCE AND INSPECTION OF ARTICLES AND BYLAWS. The Association shall keep at its principal executive office, or, if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the Articles and Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours. If the principal executive office of the Association is outside the State of California and the Association has no principal business office in this state, the Secretary shall, on the written request of any Member, furnish to that Member a copy of the Articles and Bylaws as amended to date.

Section 8.3 - MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS. The accounting books, records, and minutes of proceedings of the Members and the Board and any committee(s) of the Board shall be kept at such place or places designated by the Board, or, in the absence of such designation, at the principal executive office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed, or printed form. The minutes and accounting books and records shall be open to inspection on the written demand to the Secretary by any Member, at any reasonable time during usual business hours, for a purpose reasonable related to the Member's interests as a Member. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of any subsidiary corporation of the Association. The Board shall establish reasonable rules with respect to the notice to be given to the Secretary by any Member desiring to make such an inspection. These rules shall relate to the hours of the day and days of the week when such an inspection may be made and the payment of the cost of reproducing copies of documents requested by a Member.

Section 8.4 - INSPECTION BY DIRECTORS. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Association and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Section 8.5 - ANNUAL REPORT TO SHAREHOLDERS. The annual report to shareholders referred to in the California Nonprofit Mutual Benefit Corporation Law is expressly dispensed with, but nothing in these bylaws shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the Members of the Association as they consider appropriate or as are acquired by the Declaration. However, the Association shall provide to all Members, within one hundred twenty (120) days of the close of its fiscal year, a report containing the following information in reasonable detail

(1) the assets and liabilities, including the trust funds, in any, of the Association as of the end of the fiscal year;

(2) the principal changes in assets and liabilities, including trust funds of the Association, during the fiscal year;

(3) the revenue or receipts of the Association, both unrestricted and restricted to particular purposes, for the fiscal year;

(4) the expenses or disbursements of the Association, for both general and restricted purposes, during the fiscal year; and

(5) any information required by the California Nonprofit Mutual Benefit Corporation Law, in particular Section 8322 thereof.

Section 8.6 - ANNUAL INDEPENDENT AUDIT. An annual independent audit of the account or accounts of the Association or any management body shall be made, for any fiscal year in which the Association's gross income exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of such audit shall be available for the inspection of each Member, officer or director of the Association.

Section 8.7 - PRO FORMA BUDGET. - A pro forma operating statement (budget) for each fiscal year shall be distributed to each Member not less than sixty (60) days before the beginning of the fiscal year.

Section 8.8 - BALANCE SHEET AND OPERATING STATEMENT. On or before six (6) months following the date of the first close of an escrow for the purchase of a subdivision interest, including, but not by way of limitation, a Lot or a Condominium as referenced in Article I hereinabove, ("Accounting Date"), a balance sheet and an operating statement shall be prepared for the period from the date of the first closing to said Accounting Date. Both the balance sheet and the operating statement shall be distributed to all Members within sixty (60) days following said Accounting

Date. There shall be included in the operating statement a schedule of Regular Assessments (and such other Assessments which may be levied by the Association in accordance with the provisions of the Declaration) received and receivable identified by the sub-division interest and entity assessed.

ARTICLE IX

CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE X

AMENDMENTS

During the period of time prior to conversion of the Class B membership in the Association to Class A membership, new Bylaws may be adopted or these Bylaws may be amended or repealed by the voting power of members entitled to exercise a majority or more of the voting power of each class of members of the Association, or by the written assent of each members. After conversion of the Class B membership to Class A membership in the Association, these Bylaws may be amended or repealed by the vote of (i) members entitled to exercise a majority of the voting power of the Association, and (ii) at least a majority of the voting power of members of the Association other than Declarant. Anything herein stated to the contrary notwithstanding, no amendment to the Bylaws governing the following subjects shall be made without the prior written approval of Mortgagees holding seventy-five percent (75%) of the first mortgages encumbering condominiums; provided further, that so long as the Veterans Administration and the Federal Housing Administration are insuring or guaranteeing a loan for a purchaser, the Veterans Administration and the Federal Housing Administration shall have the right to veto any amendments to these Bylaws:

- (1) Voting.
- (2) Assessments, assessment liens, and subordination thereof.
- (3) Any provision, which by its terms, is specifically for the benefit of First Mortgagees, or specifically confers rights of First Mortgagees.