

BYLAWS
OF
SEA COUNTRY - THE VILLAGES COMMUNITY ASSOCIATION

A California Nonprofit Mutual Benefit Corporation

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ARTICLE I

Name and Location of the Association

The name of this Association is:

SEA COUNTRY - THE VILLAGES COMMUNITY ASSOCIATION.

Such Association is referred to as the "Association" herein. Its principal office is located in the County of Los Angeles, State of California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said County. Additionally, the Association may have such other offices, either within or without said County, as the Board of Directors may require from time to time.

ARTICLE II

Purposes

The Association does not contemplate pecuniary gain or profit to the members thereof, and the primary purposes for which it has been formed are to be a "homeowners' association" as defined in Section 528 of the Internal Revenue Code of 1954, as amended, which is organized and operated to provide for the ownership, management, administration, maintenance, preservation and/or architectural control of the Lots and Common Areas within that certain real property development known or to be known as Sea Country - The Villages (the "Project" herein); all as more fully set forth in the Articles of Incorporation of the Association and in the Declaration as such term is hereinafter defined.

ARTICLE III

Definitions

3.01 Incorporation of Definitions. The definitions contained in the Declaration are incorporated herein and made a part hereof by this reference thereto.

3.02 Definition of Declaration. "Declaration" as used herein shall mean and refer to that certain Declaration of Covenants, Conditions, Restrictions and Grant of Easements, for Sea Country - The Villages made by SCH Housing NO. 4, LLC, a Delaware limited liability company and Sea Country Carson, LLC, a Delaware limited liability company, (collectively as Declarant), recorded on the 14TH day of JUNE, 1999, as Instrument No 99-1084861, in the Official Records, Los Angeles County, California.

ARTICLE IV

Meetings of Members

4.01 Membership. The authorized number and qualifications of Members of the Association, the different classes of Members, if any, the property, voting, and other rights and privileges of Members, and their liability for assessments and the method of collecting them, shall be controlled by these Bylaws and the Declaration, and the provisions of the Declaration pertaining thereto are by this reference incorporated herein and made a part hereof.

4.02 Place of Meetings. All meetings of Members shall be held within the Project (defined in the Declaration) or as close thereto as practicable. Unless unusual circumstances exist, Members' meetings shall not be held outside of the County in which the Project is situated.

4.03 Annual Meetings of Members. The first annual meeting of the Members shall be held within forty-five (45) days after the closing of the sale of the which represents the fifty-first (51st) percentile of Lots authorized for sale under the public report issued by the California Department of Real Estate for the Project, provided such public report authorizes the sale of fifty (50) Lots or more. However, in no event shall a meeting be held later than six (6) months after the closing of the sale of the first such Lot. Subsequent regular annual meetings of the Members shall be set by the Board so as to be held within thirty (30) days of the same day of the same month of each year thereafter as was held the first annual meeting, at the hour of 7:30 P.M. If the date of the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. At such annual meetings there shall be elected by ballot of the Members, a Board of Directors in accordance with the provisions of Section 4.11 and Article VII hereof. The Members may also transact such other business of the Association as may properly come before them.

4.04 Special Meetings. Special meetings of the Members shall be promptly scheduled by the Board in response to: (1) the vote of the Board itself; or (2) written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association. Upon request in writing to

the Chairman of the Board, the President, any Vice President, or the Secretary by any person (other than the Board) entitled to call a special meeting of Members, the officer forthwith shall cause notice to be given to the Members pursuant to Section 4.05 of these Bylaws that a meeting will be held at a time fixed by the Board, which time shall be not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the persons entitled to call the meeting may give the notice. If the Association is the obligee under a bond or other arrangement to secure performance of the commitment of the Declarant to complete Common Area improvements which have not been completed prior to the close of escrow of the sale of the first Lot located within the Property, and the provisions of the Article of the Declaration entitled "Special Provisions Relating to Enforcement of Declarant's Obligation to Complete Common Area Improvements" are applicable, a special meeting of the Members may be called in accordance with the provisions of said Article of the Declaration, which provisions are incorporated by reference herein.

4.05 Notice of Meetings. Subject to the provisions of Section 4.04 of this Article IV, written notice of each meeting of the Members (annual or special) shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by personal delivery, by mailing of a copy of such Notice, first-class, postage prepaid, or by telegram not less than ten (10) nor more than ninety (90) days before such meeting to each first mortgagee requesting notice in writing and to each Member who, on the record date for notice of the meeting, would be entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member or mortgagee to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, (a) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (b) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the members, but, subject to the provisions of applicable 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 who are nominees at the time the notice is sent to members. If mailed, the notice of meeting shall be deemed to be delivered forty-eight (48) hours after it is deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage thereon prepaid. Notice by telegram shall be deemed received twenty-four (24) hours after it is properly sent. Whenever any Member entitled to vote has been absent from any meeting of the Members, whether annual or special, an affidavit executed by the Secretary or Assistant Secretary to the effect that notice has been duly given, shall be prima facie evidence that due notice of such meeting was given to such Member or Members as required by law and by the charter documents of the Association.

4.06 Order of Business. The order of business at all meetings of the Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of Minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of elections (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of Members shall be conducted by the officers of the Association, in order of their priority.

4.07 Informal Action by Members. Subject to Section 7513 of the California Nonprofit Mutual Benefit Corporation Law, any action, except the election of directors, which under any provision of the California Nonprofit Mutual Benefit Corporation Law may be taken at any regular or special meeting of members, may be taken without a meeting if: (a) the written ballot of every member is solicited; (b) the number of ballots cast within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action; and (c) if the number of written, signed approvals received setting forth the action so equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. Each ballot so distributed shall: (i) set forth the proposed action; (ii) provide the Members an opportunity to specify approval or disapproval of each proposal; (iii) state that where an approval or disapproval is specified the ballot will be cast accordingly; and (iv) specify a reasonable time within which Members may return the ballot. All solicitations of ballots must specify the number of responses necessary for a quorum and the percentage of approvals necessary to pass the measure submitted. Unless a record date for voting purposes be fixed by the Board as provided in Section 4.13 of this Article IV, the record date for determining Members entitled to cast written ballots pursuant to this Section 4.07, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited, whichever is first. All such written ballots shall be filed with the Secretary of the Association and kept in the records of the Association for three (3) years.

4.08 Quorum. The presence, in person or by proxy, of Members entitled to vote holding at least fifty-one percent (51%) of the voting power of the Association shall constitute a quorum for the transaction of business at all meetings of the Members, except as may be otherwise provided in these Bylaws and/or the Declaration. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, 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. If any meeting cannot be held because a quorum is not present, no business may be transacted except that a majority of

the Members present, either in person or by proxy, may, as otherwise provided by law, adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the original meeting date, at which meeting the quorum requirement shall be twenty-five percent (25%) of the voting power of the Members.

4.09 Adjourned Meetings. When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, or if a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given as in the case of an 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 at which such adjournment is taken.

4.10 Proxies. At any meeting of Members, a Member entitled to vote may vote by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. The maximum term of any proxy shall be three (3) years from the date of its execution. Every proxy shall be revocable, and shall be revoked upon any of the following: (a) by a written notice prior to the vote by the person executing the proxy delivered to the Secretary of the Association, stating that the proxy is revoked; (b) by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting; (c) as to any meeting, by attendance at the meeting and voting in person by the Member; (d) by conveyance by the Member of his Lot; or (e) upon receipt of written notice by the Association of the death or judicially declared incompetence of such Member. All proxies shall be in writing and filed with the Secretary at the commencement of the meeting or prior thereto.

4.11 Voting and Election of Directors. The provisions of the Article of the Declaration entitled "Homeowners' Association" pertaining to Members' voting rights and classes of membership are by this reference incorporated herein and made a part hereof. The vote of a majority of a quorum present, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which a different vote, by express provision, shall govern and control. Cumulative voting in the election of the Board Members shall be required for all elections, subject only to the procedural prerequisites to cumulative voting prescribed in Section 7615(b) of the Corporations Code. Voting in the election of Board members shall be by secret written ballot. Unless the entire Board is removed from office by the vote of the Members, no individual Board Member shall be removed prior to the expiration of his term of office if the votes cast against his removal would be sufficient to elect the Board Member if voted cumulatively at an election at which the same total number of votes were cast and the

entire number of Board Members authorized at the time of the most recent election of the Board Member were then being elected.

Nothing to the contrary in the Articles, the Declaration or these Bylaws withstanding, from the first election of Board Members and thereafter for so long as a majority of the voting power of the Association resides in Declarant, or so long as there are two outstanding classes of Membership in the Association, at any meeting of Members at which directors are to be elected, then the Members other than Declarant shall, by majority vote, among themselves, elect the number of directors required to equal 20% of the total number of directors on the Board. In the event 20% of the total number of directors is equal to any fractional number, the number of directors to be elected pursuant to this special voting right shall be rounded to the next higher whole number. In no event shall the Members other than Declarant be entitled to elect more than 20% of the total number of directors, adjusted for any fractional number as hereinabove provided, pursuant to the provisions of this special voting right. The remaining vacancies on the board shall be filled by Declarant. A Board Member who has been elected to office solely by the votes of Members of the Association other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

4.12 Consent of Absentees. The transaction of any business at any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had 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. All such waivers, consents and approvals shall be filed with the records of the Association, or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the California Nonprofit Mutual Benefit Corporation Law to be included in the notice but not so included, if such objection is expressly made at the meeting. Neither the business to be transacted nor the purpose of any regular or special meeting of Members need be specified in any written waiver of notice, consent to the holding of the meeting, or approval of the minutes thereof, except as provided in Section 7511(f) of the California Nonprofit Mutual Benefit Corporation Law.

4.13 Record Date. The Board may fix, in advance, a record date for the determination of the Members entitled to notice of any meeting of Members or entitled to vote, act by written ballot, or take any other lawful action. The record date so fixed for notice

purposes shall be not more than sixty (60) days nor less than ten (10) days prior to the meeting; for all other purposes, the record date shall be not more than sixty (60) days prior to such other action. When a record date is so fixed, only Members of record on that date are entitled to notice, to vote, act by written ballot, or take other action for which the record date was fixed. A determination of Members of record entitled to notice of a meeting of Members shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. The Board shall fix a new record date if the meeting is adjourned for more than forty-five (45) days.

If no record date is fixed by the Board, the record date for determining Members entitled to notice of a meeting of Members shall be at the close of business on the business day preceding the day on which notice is given or, if notice is waived, at the close of business on the business day preceding the day on which the meeting is held. If no record date is fixed by the Board, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting of Members or, in the case of an adjourned meeting, Members on the day of the adjourned meeting who are otherwise eligible to vote are entitled to vote at the adjourned meeting of Members. The record date for determining Members for any purpose other than set forth in this Section 4.13 or Section 4.07 of this Article IV shall be at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.

ARTICLE V

Liabilities of Members

No Members of this Association, either regular or otherwise, shall be personally liable for any of the debts, liabilities and/or obligations of the Association.

ARTICLE VI

Association's Books and Records and Rights to Inspection Thereof

6.01 Books and Records of the Association. The Board of the Association shall keep or cause to be kept such membership registers, books of account and minutes of meetings of Members, the Board, and committees of the Board as it shall from time to time deem to be reasonably necessary. Such books and records as are kept by the Association and the Board shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the

office of the Association or at such other place within the Project as the Board shall prescribe.

6.02 Establishment of Rules Pertaining to Records. The Board shall establish reasonable rules with respect to:

(a) Notice (not to exceed five (5) business days' written notice) to be given to the custodian of records of the Association by the Member desiring to make the inspection, stating the purpose of the inspection;

(b) Hours and days of the week when such inspection may be made;

(c) Payment of the cost of reproducing copies of documents requested by a Member.

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

ARTICLE VII

Board of Directors

7.01 Number, Election, and Term of Office. The affairs of the Association shall be managed and administered by its Board of Directors. The Board of Directors shall consist of three (3) Members, who need not be Members of the Association. The individuals named to the Board in the Articles or their successors shall constitute the Board of Directors until the first annual meeting of Members of the Association, at which time the Members shall elect the new Board, the members of which shall serve for a term of one (1) year or until their successors are elected, and at each annual meeting thereafter, the Members shall elect a new Board whose Members shall serve for a term of one (1) year or until their successors are elected. If an annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of Members held for that purpose.

7.02 Vacancies. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director. If the Members shall increase the authorized Directors but shall fail to elect the additional Directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized Directors, a vacancy or vacancies shall be deemed to exist.

Any Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary,

or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected before such time to take office when the resignation become effective.

Vacancies in the Board, except those existing as a result of a removal of a Director, may be filled by a majority of the remaining Directors, although less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose. A vacancy which exists as a result of a removal of a Director may be filled by the Board with the vote or written assent of a majority of the voting power residing in Members other than Declarant.

The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony.

The Members may at any time elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of Directors. No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

7.03 Removal of Directors. At any time after the first annual meeting of Members, at any regular or special meeting duly called, any Director may be removed, with or without cause, by vote of the Members and a successor may then and there or later be elected to fill the vacancy thus created; provided, however, that any such removal and the election of a successor shall be in compliance with the provisions of Section 4.11 hereof.

7.04 Organization Meeting. The first meeting of a newly elected Board shall be held within ten (10) days following the election, at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the whole Board shall be present.

7.05 Regular Meetings. Regular meetings of the Board shall be held monthly at such hours and place as may be fixed from time to time by resolution of the Board. The meeting place shall be within the Property unless, in the judgment of the governing body, a larger meeting room is required other than that which is available within the Property. In such case, the meeting room selected shall be as close as possible to the Property. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of regular meetings of the Board shall be given to each Director, personally or by mail, telephone or telegraph, at least four (4)

days prior to the day named for such regular meeting. Notice of the time and place of such regular meeting shall also be posted at a prominent place or places within the Common Area of the Project and shall be communicated to all Directors not less than four (4) days prior to the meeting.

7.06 Special Meetings and Notices. Special meetings of the Board of Directors for any purpose may be called at any time by the Chairman or by the President, or if they are unable or refuse to act, by the Vice President or by any two (2) Directors other than the President.

(a) Written notice of the time and place of a special meeting and the nature of the business to be conducted shall be delivered personally to the Directors or sent to each Director by letter or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the Association. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company at or near the place in which the principal office of the Association is located at least three (3) days prior to the time of the meeting. In case such notice is delivered personally to any Director as above provided, it shall also be delivered at least three (3) days prior to the time of the meeting. Such mailing, telegraphing or delivery as provided herein shall be due, legal and personal notice to each such Director.

(b) Notice of the time and place of a special meeting and the nature of the business to be conducted shall also be posted in a prominent place or places within the Common Area of the Project or communicated in a manner prescribed for notice of regular meetings and shall be sent to all Directors not less than 72 hours prior to the scheduled time of the meeting.

7.07 Waiver of Notice. Before or at any meeting of the Board any Director or Member may, in writing, waive notice of such meeting or consent to the holding of the meeting, and such waiver or consent shall be deemed equivalent to the giving of notice of the meeting. All such waivers or consents shall be filed with the records of the Association or made a part of the minutes of the meeting. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

7.08 Notice of Adjournment. Notice of adjournment of any Directors' meeting, either regular or special, need not be given to absent Directors, if the time and place are fixed at the meeting adjourned.

7.09 Adjournment. A quorum of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of

the Directors present at any Directors' meeting, either regular or special, may adjourn, from time to time until the time fixed for the next regular meeting of the Board.

7.10 Quorum. One-third (1/3rd) of the authorized number of Directors but not less than two (2), shall be necessary to constitute a quorum for the transaction of business, except to adjourn as provided above. Every act or decision done or made by a majority of the Directors present at a meeting at which a quorum is present shall be the act and/or decision of the Board, unless a greater number be required by 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 such meeting.

7.11 Action Without Meeting. Any action by the Board may be taken without a meeting if all of the members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board. 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 of the Project within three (3) days after the written consents of all Board members have been obtained.

7.12 Board Meetings Open to Members. All regular and special meetings of the Board shall be open to all Members of the Association, and any holders of mortgages encumbering any portion of the Property; provided, however, that Association Members and/or mortgagees who are not on the Board may not participate in any deliberation or decision unless expressly so authorized by the vote of the majority of a quorum of the Board.

7.13 Executive Sessions. The Board may, with the approval of a majority of a quorum of its Members, 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 orders of business of a similar nature. The nature of any and all business to be considered in executive sessions shall first be announced in open session.

7.14 Fidelity Bonds. The Board may require that all officers and employees of the Association handling or responsible for Association or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

7.15 Liability and Indemnity of the Board and Officers. The Members of the Board and the officers of the Association shall not be liable to the Members of the Association for any non-willful tort or mistake of judgment, negligent or otherwise, except for their own individual willful misconduct or bad faith. Each Director and officer, to the fullest extent permitted by law, shall

be indemnified by the Association and the Members as provided in Article XI of these Bylaws.

7.16 Executive Committee. The Board of Directors shall have the power to appoint an Executive Committee composed of two (2) or more Directors, and to delegate to such committee any of the powers and authority of the Board in the management of the business and affairs of the Association, except the following:

(a) The approval of any action for which the California Nonprofit Mutual Benefit Corporation Law also requires approval of the Members or approval of a majority of all Members;

(b) The filling of vacancies on the Board;

(c) The fixing of compensation of the Directors for serving on the Board or on any committee;

(d) The amendment or repeal of Bylaws or the adoption of new Bylaws;

(e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(f) The expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.

The Executive Committee shall be entitled to appoint members of any other committee if the Board fails to do so. The Board shall have the power to prescribe the manner in which proceedings of the Executive Committee shall be conducted. Minutes shall be kept of each meeting.

7.17 Nominations of Candidates for the Board. Nominations for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board, and at least one (1) Member of the Association. The Nominating Committee shall be appointed by the Board at least sixty (60) days prior to each annual meeting of the Members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

7.18 Powers and Duties of the Board.

(a) Powers. Subject to limitations of the Articles, of these Bylaws, of the Declaration, and of the California Nonprofit Mutual Benefit Corporation Law relating to action

required to be approved by the Members or by a majority of Members, the activities and affairs of the Association shall be conducted and all of its powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the Association to any person or persons, a management company, or committees however composed, provided that the activities and affairs of the Association shall be managed and all of its powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

(i) To exercise for the Association all Powers, duties and authorities vested in or delegated to the Association and not reserved to the membership by other provisions of the Restrictions;

(ii) To generally manage the affairs of the Association;

(iii) After notice and hearing in the manner provided in Article X below, to suspend the voting right of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;

(iv) To employ and/or remove a manager, Independent contractor, or such other employees as the Board shall deem necessary, and to prescribe their duties.

(b) Duties. It shall be the duty of the Board to:

(i) See that all duties and responsibilities of the Board as set forth in the Restrictions are properly and timely performed;

(ii) Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(iii) Keep or cause to be kept a complete record of all of its acts and doings and to present a statement of them to the Members at such times as it deems reasonably appropriate.

ARTICLE VIII

Officers

8.01 Enumeration of Officers. The officers of the Association shall be a President, a Vice President, a Secretary and a

Treasurer. The Association may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as may be appointed in accordance with the provisions of this Article VIII. Officers other than the President need not be Directors. One person may hold two or more offices, except those of President and Secretary.

8.02 Election and Term of Office. The officers of the Association shall be elected annually by the Board of Directors at the regular annual organizational meeting of the Board of Directors. If election of the officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently possible. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his resignation, removal, or other disqualification from service, or until his successor shall have been elected.

8.03 Removal and Resignation. Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Any officer may resign at any time by giving written notice to the Board or the President or to the Secretary of the Association. Any such resignation shall not prejudice the rights, if any, of the Association under any contract to which the officer is a party. Any such resignation will take effect at the date of the receipt of such notice, or any later date specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.04 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled for the unexpired portion of the term in the manner prescribed in these Bylaws for regular election or appointment to such office.

8.05 President. The President shall be the principal executive officer of the Association and shall in general supervise and control all of the business and affairs of the Association. He shall preside at all meetings of the members and of the Board. He may sign, with the Secretary or any other proper officer of the Association authorized by the Board, any deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws or by statute to some other officer or agent of the Association; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

8.06 Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President

shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or by the Board.

8.07 Treasurer. The Treasurer is the chief financial officer of the Association and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, and shall send or cause to be sent to the Members of the Association such financial statements and reports as are required by law or by these Bylaws or by the Declaration to be sent to them. He shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these Bylaws; and in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board shall determine.

8.08 Secretary. The Secretary shall keep or cause to be kept, in one or more books provided for that purpose, the minutes of the meetings of the Members and of the Board and committees of the Board, with the time and place of holding, whether regular or special (and if special, how authorized), the notice thereof given, the names of those present at Board and committee meetings, the number of members present or represented at Members' meetings, and the proceedings thereof; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the Association's records; keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and in general perform all duties as from time to time may be assigned to him by the President or by the Board.

8.09 Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The premiums of such bonds shall be paid by the Association. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President of the Board of Directors.

ARTICLE IX

Committees

The Board shall appoint an Architectural Control Committee at the times and in the manner provided for in the Declaration and a Nominating Committee, as provided for in these Bylaws. The Board shall also have the power to appoint an Executive Committee, as provided for in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out the purposes of the Association. Except as otherwise specifically provided in the Restrictions, committee members shall serve at the pleasure of the Board.

ARTICLE X

Disciplining Members for Breaches of Restrictions

10.01 There shall be no violation of the Restrictions, as defined in the Declaration. If any Owner, his family, servants, guests, licensee, lessee, or invitee violates the Restrictions, or any of them, in addition to recovery of those sums identified in Section 5.14 of the Declaration, the Board may impose an extraordinary charge upon such Owner of not more than FIFTY DOLLARS (\$50.00) for each violation and/or may suspend the right of such Owner to vote his membership in the Association, under such circumstances as the Board may specify, for a period of not to exceed thirty (30) days for each such violation. The Board of Directors must distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for each violation of the Restrictions. The Board of directors must distribute additional schedules if the schedule of monetary penalties is modified.

10.02 Before invoking any such additional charge and/or suspension the Board shall give the Owner fifteen (15) days' prior written notice of the charge and/or suspension of voting rights and the reasons therefor, and shall provide an opportunity for the Member to be heard before the Board, in person, in writing, or by Counsel, at the Owners' expense, not less than five (5) days before the effective date of the charge and/or suspension. Any notice hereunder which is given by mail must be sent by first class or registered mail to the Owner at his most recent address as shown on the records of the Association.

ARTICLE XI

Indemnification

11.01 Definitions. For the purposes of this Article XI, "agent" means any person who is or was a Director, officer, employee, or other agent of the Association, or is or was serving at the request of the Association as a Director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a Director, officer, employee, or agent of a foreign or domestic corporation which was a predecessor of the Association or of another enterprise at the request of such predecessor; "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under Section 11.04 or 11.05(c) of this Article XI.

11.02 Indemnification in Actions by Third Parties. The Association shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Association to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Association or that the person had reasonable cause to believe that the person's conduct was unlawful.

11.03 Indemnification in Actions by or in the Right of the Association. The Association shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this Section 11.03:

(a) In respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the

Association in the performance of such person's duty to the Association, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

11.04 Indemnification Against Expenses. To the extent that an agent of the Association has been successful on the merits in defense of any proceeding referred to in Section 11.02 or 11.03 of this Article XI or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

11.05 Required Determinations. Except as provided in Section 11.04 of this Article XI, any indemnification under this Article XI shall be made by the Association only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in section 11.02 or 11.03 of this Article XI, by:

(a) A majority vote of a quorum consisting of Directors who are not parties to such proceeding;

(b) Approval by vote or written ballot of a majority of a quorum present at a duly held meeting of the Members with the persons to be indemnified not being entitled to vote thereon; or

(c) The court in which such proceeding is or was pending upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the Association.

11.06 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article XI.

11.07 Other Indemnification. No provision made by the Association to indemnify its Directors or officers for the defense of any proceeding, whether contained in the Articles, Bylaws, a

resolution of Members or Directors, an agreement, or otherwise, shall be valid unless consistent with California Corporation Code § 7237 as amended from time to time, it being understood that at the present time the provisions of this Article XI comply with the requirements of California Corporations Code § 7237. Nothing contained in this Article XI shall affect any right to indemnification to which persons other than such Directors and Officers may be entitled by contract or otherwise.

11.08 Forms of Indemnification Not Permitted. No indemnification or advance shall be made under this Article XI, except as provided in Section 11.04 or 11.05(c), in any circumstances where it appears:

(a) That it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Members, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

11.09 Insurance. The Association shall have power to purchase and maintain insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Association would have the power to indemnify the agent against such liability under the provisions of this Article XI.

ARTICLE XII

Miscellaneous

12.01 Checks, Drafts, etc. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

12.02 Contracts, etc. - How Executed. The Board of Directors, except as otherwise provided in the Restrictions, may authorize any officer or officers, agent or agents, to enter into contracts or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or any amount.

12.03 Inspection of Articles and Bylaws. The Association shall keep in its principal office for the transaction of business the original or a copy of its Articles of Incorporation and these Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

12.04 Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors and having been so determined is subject to change from time to time as the Board of Directors shall determine.

12.05 Conflicts. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with any applicable law or statute of the State of California, the provisions of said law or statute shall control.

ARTICLE XIII

Amendments

These Bylaws may be amended by the vote or written consent of Members representing not less than fifty-one percent (51%) of the voting power of each class of membership of the Association, for so long as there are two classes of Members, and thereafter amendment of these Bylaws shall require:

(a) The vote or written consent of Members representing not less than fifty-one percent (51%) of the voting power of the Association; and

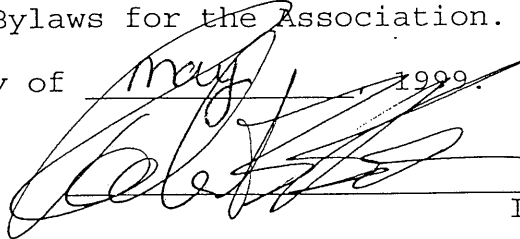
(b) The vote or written consent of Members other than Declarant representing not less than fifty-one percent (51%) of the voting power of the Association then entitled to vote, excluding Declarant's voting power.

Notwithstanding the foregoing, the percentage of voting power necessary to amend a specific clause or provision of the Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

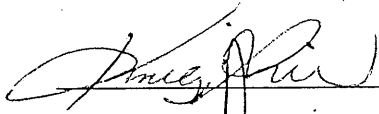
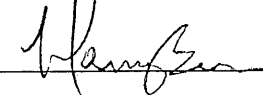

So long as the Declarant as such term is defined in the Declaration referred to in Section 3.02 hereof controls the Association, any amendment to these Bylaws must be approved by the Veterans Administration.

WE, THE UNDERSIGNED, being the Incorporator of the Association, hereby assents to the within and foregoing Bylaws and hereby adopts them as the Bylaws for the Association.

Executed this 26th day of May, 1999.


Incorporator

Ratified this 26th day of May, 1999 by the undersigned, being all of the Directors of the Association

"Directors"