

to act as Secretary of the meeting.

Section 4.10. Consent of Absentees. The transactions of 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, but not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 4.11. Action Without Meeting. Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Members, may be taken without a meeting if authorized by a writing signed by all of the Members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary of the Corporation.

ARTICLE V

BOARD OF DIRECTORS

Section 5.01. Number and Qualifications of Directors.

The authorized number of Directors of the Corporation shall be five (5) until changed by a By-Law amending this Section, duly adopted by the vote or written assents of Members entitled to exercise seventy-five percent (75%) of the voting power. All Directors shall be Owners of a Unit or Lot in the Project, except for the original Directors appointed by the Grantor, and except for any nominee of the Grantor duly elected by the Members.

73-082517

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Section 5.02. Powers. Subject to the limitations imposed by the laws of the State of California, the Restrictions, the Articles of Incorporation, and these By-Laws as to action to be authorized or approved by the Members, and subject to the duties of the Directors as prescribed by these By-Laws, all powers of the Corporation shall be controlled by the Board of Directors. Without limiting such general powers, but subject to the same limitations, it is hereby expressly declared that the Board of Directors shall have the following powers:

- (a) To select and to remove all the officers, agents and employees of the Corporation, prescribing such powers and duties for them as may not be inconsistent with the Articles of Incorporation or these By-Laws, fix their compensation, and require from them security for faithful service.
- (b) To conduct, manage, and control the affairs and business of the Corporation, and to make such rules and regulations therefore not inconsistent with the Restrictions, the Articles of Incorporation or these By-Laws as they may deem proper, including rules with respect to the Common Area and the equestrian trails and facilities.
- (c) To borrow money and incur indebtedness for the purposes of the Corporation, and for that purpose to cause to be executed and delivered, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidence of debt and securities.
- (d) To appoint and remove such committees and chair-

men of committees as it deems necessary or appropriate for the efficient operation of the Corporation. Members of said committees need not be Members of the Corporation, but such committees shall report directly to an officer or Director of the Corporation, or to the Board of Directors, or to an executive committee, as may be specified by the Board. Such committees will have the power and authority to bind the Corporation in such matters as may be specifically resolved by the Board of Directors.

(e) To exercise all of the powers and privileges and perform all of the duties and obligations of the Corporation and its Board as set forth in the Restrictions, the Articles of Incorporation and these By-Laws or as may be reasonably necessary, proper or convenient for the lawful accomplishment of the general and specific purposes of the Corporation.

Section 5.03. Election and Term of Office. Directors shall be elected at the annual meeting as set forth in Section 4.01 of these By-Laws, or by mail in such manner as the Board of Directors shall determine, or at polls as provided in Paragraph (c) of this section; provided, however, that if the election is to be held other than at the annual meeting, at least thirty (30) days' written notice thereof must be delivered to each Member either personally or by mail addressed to him at his address as it appears on the books of the Corporation. Any election by mail or polling shall be held in the month specified in Section 3.01

73-082517
47

hereof for the holding of the annual meeting. Directors may also be elected at any special meeting of Members held for that purpose. All Directors shall hold office until their respective successors are elected.

Section 5.04. Vacancies.

(a) Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, 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.

(b) A vacancy or vacancies shall be deemed to exist in case of the death, resignation, or removal of any Director or if any Director ceases to be a record Owner of a Unit or Lot, or if the Members shall increase the authorized number of Directors, but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect the additional Directors so provided for, or in the case the Members fail at any time to elect the full number of authorized Directors.

(c) 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 By-Laws is voted authorizing an increase in the number of Directors.

(d) If any Director tenders his resignation to the Board of Directors, the Board shall have the power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration

of his term of office.

Section 5.05. Removal. The Members by majority vote at any annual or special meeting may remove any Directors and may elect a new Director to serve the unexpired term of any Director so removed; provided, however, that unless the entire Board is removed an individual Director shall not be removed if the number of votes against the resolution for his removal exceeds the quotient arrived at when the total number of all votes cast for and against such resolution is divided by one plus the number of Authorized Directors.

Section 5.06. Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of the Corporation, or at any other place within the State of California, designated at any time by resolution of the Board or by written consent of all members of the Board.

Section 5.07. Organization Meeting. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 5.08. Other Regular Meetings. Other regular meetings of the Board of Directors shall be held without call quarterly on the first Monday of September, December, March and June at 7:30 P.M.; provided, however, should said day fall upon a legal holiday, then said meeting shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such regular meetings of the Board of Directors is

73-082517
97

hereby dispensed with.

534

Section 5.09. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes shall be called at any time by the president, or if he is absent or unable or refuses to act, by any vice president or by any two Directors. Written notice of the time and place of special meetings 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 Corporation. In case such notice is mailed or telegraphed it shall be deposited in the United States Mail or delivered to the telegraph company in the place in which the principal office of the Corporation is located at least forty-eight (48) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such Director.

Section 5.10. 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 and the reconvened meeting is set for a date less than thirty (30) days from the date of the adjourned meeting.

Section 5.11. Entry of Notice. Whenever any Director has been absent from any special meeting of the Board of Directors, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such special meeting was given to such Director, as required by law and the By-Laws of the Corporation.

73-082517
44

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 had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present at such meeting signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 5.13. Quorum. A majority of the Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made 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.

Section 5.14. 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 the Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 5.15. Fees and Compensation. Directors shall not receive any stated salary for their services as Directors, although they shall be entitled to receive reasonable reimbursement for costs as determined by the Board. Nothing herein contained shall be construed or preclude any Director from serving the Corpo-

73-082517
94

ration in any other capacity as an officer, agent, employee or otherwise, and receiving compensation therefor. It is not contemplated that officers will receive compensation for performing their duties as officers, but in the event that the Directors decide to pay an officer compensation for his services, such officer, if he is a Director, shall not participate in fixing such compensation.

Section 5.16. Action of Board Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action.

Section 5.17. Executive Committee. The Board of Directors shall have the power to appoint an Executive Committee 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 Corporation except the power to adopt, amend or repeal By-Laws. The Executive Committee shall be composed of two or more Directors.

Section 5.18. Accounting for Maintenance Fund. The Board of Directors shall cause to be maintained a full and complete set of books and records showing the financial condition of the affairs of the Corporation, such books and records to be maintained in accordance with generally accepted accounting principles consistently applied.

Section 5.19. Records of Meetings. The Board of Directors shall cause to be maintained a complete record of all their minutes and acts and of the proceedings of the Directors and of the Members. Such records and documents shall be kept and maintained in the manner consistent with reasonably prudent practice which would be

73-082517
94

applicable to a business for profit.

Section 5.20. Discharge of Duties. In discharging their duties and responsibilities the Board of Directors shall act on behalf of and as the representatives of the Members, and no Director shall be individually or personally liable or obligated for performance or failure of performance of such duties and responsibilities unless he fails to act in good faith.

Section 5.21. First Directors. Prior to the election of the Board of Directors at the first meeting of Members, all the responsibilities, rights, duties and powers of the Board of Directors shall be vested in the first Directors named in the Articles of Incorporation, and with respect to such period, each reference to the Board of Directors contained in these By-Laws shall be deemed to refer to such persons.

ARTICLE VI

OFFICERS

Section 6.01. Officers. The officers of the Corporation shall be a President, a Vice President, a Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as the Board deems proper. Officers other than the President need not be Directors of Members. One person may hold two or more offices, except those of President and Secretary.

Section 6.02. Election. The officers of the Corporation shall be chosen annually by the Board of Directors and each shall hold his office until he shall resign or shall be removed or other-

wise disqualified to serve or his successor shall be elected and qualified

Section 6.03. Compensation. Unless otherwise authorized by the Board, officers of the Corporation shall serve without compensation, except that they shall be allowed and paid at the discretion of the Board their actual and necessary expenses incurred in performing their duties.

Section 6.04. Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board. Any officer may resign at any time by giving written notice to the Board of Directors or the President or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause, shall be filled in the manner prescribed in the By-Laws for regular appointments to such office.

Section 6.06. President. The President shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the Members and at all meetings of the Board of Directors. He shall be ex-officio a

13-082517
94

member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-Laws.

Section 6.07. Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all powers of, and be subject to all the restrictions upon the President. The Vice President shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-Laws.

Section 6.08. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board of Directors may order, of all meetings of Directors and Members, 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 the Directors' meetings, the number of memberships present or represented at Members' meetings and the proceedings thereof. The Secretary shall give, or cause to be given, notice of all the meetings of the Members and of the Board of Directors required by the By-Laws or by law to be given, and he shall keep the seal of the Corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors of the By-Laws.

Section 6.09. Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct

amounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any Director. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-Laws.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 7.02. Contracts, Etc. How Executed. The Board of Directors, except as in the By-Laws otherwise provided, may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no

73-082517
94

officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 7.03. Inspection of By-Laws. The Corporation shall keep in its principal office for the transaction of business the original or a copy of the By-Laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 7.04. Fiscal Year. The fiscal year of the Corporation 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.

Section 7.05. Amendments. Except as otherwise provided herein, and particularly the provisions of Section 5.01 for changing the number of Directors, new By-Laws may be adopted or these By-Laws may be amended or repealed by a majority vote of the Members or Directors present at a meeting duly called for the purpose of adopting, amending, or repealing By-Laws for long as a quorum is present, or by the written consent of a three-fourths (3/4) majority of the Members or Directors entitled to vote.

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of McMillin's Bonita Highlands HOME OWNERS' ASSOCIATION, a California nonprofit corporation; and
2. That the foregoing By-Laws, comprising twenty-three (23) pages (including the next page), constitute the By-Laws of

73-082517
94

512

said Corporation duly adopted at the meeting of the Board of Directors thereof duly held on _____, 197_.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this ___ day of _____, 197_.

Secretary

73-082517
94