

BYLAWS
OF
SUMMIT HILLS ARCHITECTURAL PLANNING
& STREET MAINTENANCE ASSOCIATION
a California Nonprofit Mutual Benefit Corporation
(Home Owners Association)

ARTICLE I

NAME

The name of the Association is SUMMIT HILLS ARCHITECTURAL PLANNING & STREET MAINTENANCE ASSOCIATION (for convenience this Association will be referred to as the "Home Owners Association" or the "Association").

ARTICLE II

PRINCIPAL OFFICE

The principal office of the Home Owners Association is located in San Luis Obispo County, California.

ARTICLE III

DEFINITIONS

The definitions of the terms contained in Article II of the Declaration & Establishment of Protective Covenants & Restrictions (the "Declaration"), recorded on July 20, 1988, as Document No. 40952, in Book 3173, Pages 626 to 679, inclusive, in the Office of the County Recorder of San Luis Obispo County, California, by FROG POND ASSOCIATES, a California corporation, doing business as SUMMIT HILLS (the "Declarant"), are incorporated by reference, and shall apply to those same terms as they may appear in these Bylaws.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

All lot owners shall be members of the Association. Each lot shall be entitled to one vote. When the lot is owned by more than one person, such persons shall decide among themselves how the lot's vote is to be cast. If no decision can be reached by

the owners of the lot, no vote can be cast. Fractional votes shall not be allowed. The membership and voting rights provisions contained in the Declaration are incorporated herein by reference as though set forth in full.

ARTICLE V

MEETINGS OF MEMBERS

1. Place of Meetings. All meetings of the members, annual and special, shall be held at a place within the Property as designated by the Board, provided that if there is not an available or appropriate place within the Property, the Board shall designate a meeting place as close as possible to the Property but in no event outside the County of San Luis Obispo, unless unusual conditions exist.

2. Annual Meetings. The first annual meeting of members of the Association shall be held during the month of February 1990 or on such other date as may be selected by the Board. Thereafter, the annual meeting of the members of the Association shall be held each year on the Tuesday immediately preceding the anniversary date of the first annual meeting at 7:00 p.m., or at such other date or time as may be fixed by the Board but in no event shall a membership meeting be held less than once each calendar year. If the scheduled date of the annual meeting falls on a legal holiday, the meeting shall be held at the same time on the next business day.

3. Special Meetings. Special meetings of the members may be called for any lawful purpose by the Board or by written request signed by members representing at least five percent of the total voting power of the Association. A special meeting called by any person (other than the Board) entitled to call a meeting shall be made by submitting a written request specifying the general nature of the business to be transacted to the Board. The Board, upon receiving the notice, shall promptly cause notice to be given the members in the manner required by Article V, Section 4 that a meeting will be held at a date, time, and place fixed by the Board, which meeting shall be held not less than 35 days nor more than 90 days after receipt of the request. If the notice is not given within 20 days after the receipt of the request, the person or persons requesting the meeting may give the notice.

4. Notice of Meetings. Notice of all members' meetings, annual or special, shall be given not less than 10 nor more than 90 days before the date of the meeting to each member and to any Mortgagee who has requested in writing to receive such notice. Any Mortgagee, or its designated representative, shall not be entitled to vote at the meeting. The notice shall be given personally, or by first class, registered, or certified mail addressed to the member or Mortgagee at the address of such member or Mortgagee appearing on the books of the Association or given by the member or mortgagee to the Association for purpose of notice. If no address appears or is given for any member, notice may be given at the Association's principal office or by publication at least once in a newspaper of general circulation.

The notice shall state the place, date and time of the meeting. If Board members are to be elected at the meeting, the notice shall include the names of all those who are nominees at the time notice is given. In the case of a special meeting, the notice shall state the general nature of the business to be transacted and no other business may be transacted. In the case of the annual meeting, the notice shall state those matters that the Board intends, at the time the notice is given, to present to the members for action, but any proper matter may be presented at the meeting for action subject to the special notice requirements described in Article V, Section 5 of these Bylaws. Notwithstanding the foregoing, the members may vote only on those matters for which notice was given in any meeting where the quorum requirement as described in Article V, Section 8 of these Bylaws is less than one-third of the voting power of the Association and members holding less than one-third actually attend.

5. Special Notice Requirements. Approval by the members of any of the following proposals, other than by unanimous approval of those members entitled to vote, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (a) removing a Board member without cause;
- (b) filling vacancies on the Board;
- (c) amending the Articles;
- (d) approving a contract or transaction between the Association and one or more Board members, or between the Association and any entity in which a Board member has a material financial interest;

(e) electing to wind up and dissolve the Association;
or

(f) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of members (applicable only if the Association is in the process of winding up).

6. Waiver of Notice or Consent. The transactions of any meeting of members, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present either in person or by proxy, and (2) either before or after the meeting each member entitled to vote, not present in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Article V, Section 5 of these Bylaws, the waiver of notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a member at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the member 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 to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

7. Proof of Membership and Record Date. No person shall exercise the rights of membership in the Association until satisfactory proof of membership has been furnished to the Association. Such proof may consist of either a duly-executed and acknowledged grant deed or title insurance policy showing that the person has an ownership interest in a lot that would entitle the person to membership in the Association. Each lot, including any owned by declarant, and whether title is vested in a single individual, more than one person, or in a legal entity such as a partnership or corporation, shall represent one vote and membership, as provided in the Declaration. Such deed or policy shall be deemed conclusive proof of the person's membership in the absence of a conflicting claim based on a later deed or policy.

For the purpose of determining the members entitled to notice of any meeting, to vote, or to exercise any other rights

in respect of any lawful action, the Board may fix, in advance, a record date as follows: (a) the record date for notices shall be not more than 90 nor less than 10 days before the date of the meeting, (b) the record date for voting shall not be more than 60 days before the date of the meeting or before the date on which the first written ballot is mailed or solicited, and (c) the record date for any other action shall not be more than 60 days before the date of such action. If no record date is fixed by the Board, the record date shall be determined in accordance with California Corporations Code Section 7611. A person holding a membership as of the close of business on the record date shall be a member of record.

8. Quorum. The presence at any meeting in person or by proxy of members entitled to cast at least 25 percent of the total votes of all members shall constitute a quorum. Any members' meeting, whether or not a quorum is present, may be adjourned from time to time for any reason by a vote of the members representing a majority of the voting power of the members present at the meeting, either in person or by proxy, to another time not less than five days nor more than 30 days from the date of the original meeting. If the time and place of the adjourned meeting is announced prior to the adjournment of the original meeting, no notice of the adjourned meeting is required, provided that if a new date is fixed for the adjourned meeting after the adjournment of the original meeting, notice of the date, time and place of the adjourned meeting shall be given to members in the manner prescribed in Article V, Section 4 of these Bylaws. Any business that might have been transacted at the original meeting may be transacted at the adjourned meeting. In the absence of a quorum no business may be transacted at the meeting other than to adjourn the meeting to another time. If a meeting is adjourned because a quorum is not present, the quorum requirement at the adjourned meeting shall be 25 percent of the total voting power of all members.

The members present at a duly called or held meeting at which a quorum is present may continue to transact 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.

9. Proxies. Each person entitled to vote shall have the right to do so either in person or by one or more agents authorized by written proxy, signed by the person and filed with the Board. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot, or upon receipt of notice of the revocation by the Board. All

voting by proxy shall be consistent with Section 7613 of the California Corporations Code.

10. Action by Unanimous Consent. Any action required or permitted to be taken by the members may be taken without a meeting if all the members consent in writing to the action. The written consent shall have the same force and effect as the unanimous vote of the members. The written consents shall be filed with the minutes of the proceedings of the members.

ARTICLE VI

ELECTION AND TERM OF OFFICE OF MEMBERS OF THE BOARD

1. Directors. The Board of Directors of this Association shall at all times be composed of the same individuals as those serving from time to time on the Architectural, Planning and Street Maintenance Board established under the Declaration.

2. Number. The Board shall consist of three persons to be initially appointed by Declarant. Such persons shall be subject to removal and replacement by a majority of the members at any time. Vacancies shall be filled in the same manner.

Commencing three years after the recording of the Declaration, membership on the Board shall be limited to members who are both owners and residents of one or more of the lots, as provided in Article VIII of the Declaration. Ownership of less than 20 percent interest in any partnership or corporation or other entity that, itself, is owner of one of the lots, shall not qualify as a person to serve on the Board as an "owner".

3. Term of Office. The term of office of the members of the Board shall be for one year. The members of the Board shall be nominated and elected at the annual meetings of members.

Any Board member may resign effective on giving written notice to the Board, unless the notice specifies a later time for the effectiveness of such resignation.

4. Vacancies. A vacancy or vacancies on the Board shall exist on the occurrence of any of the following: (a) the death of any Board member, (b) the effective date of any Board member's resignation, (c) the removal of a Board member by vote of the members, (d) the declaration by resolution of the Board of a vacancy in the office of a Board member who has been declared of unsound mind by an order of court or convicted of a felony, (e) the increase in the authorized number of Board members, or (f) the failure of the members of the Association, at any meeting of

the members at which any Board member or members are to be elected, to elect the number of Board members required to be elected at the meeting.

Any vacancy on the Board shall be filled by the vote of a majority of the members of the Association.

5. Compensation. Board members shall serve without compensation. The Declaration makes no provision for funding of any of the Board's activities. Funding, if any is ever required, may be solicited by the Board from one, or more, or all of the lot owners. If three persons cannot be found to serve as Board members, after notice to all lot owners, all the functions of the Board may be exercised by persons, or by one person, who qualify for membership on the Board.

ARTICLE VII

MEETINGS OF BOARD MEMBERS

1. Place of Meetings. Meetings of the Board shall be held at any place within the Property or such other place as the Board may designate or describe in the notice of the meeting.

2. Regular and Special Meetings. The Board shall not be required to hold regular or frequent meetings, but shall meet as necessary to accomplish the purposes set forth in the Declaration. Though formal notice of meetings shall not be necessary, the Board shall endeavor to give reasonable notice to either all lot owners, or specific lot owners who may be particularly affected, of any meeting, particularly those meetings during which the enforcement of the Declaration is to be considered.

3. Records of Meetings. The Board shall keep written records of its activities and, particularly, consents and exceptions the Board may grant to any lot or lots to or from the requirements of the Declaration. At all times, any lot owner or his agent may have the right, upon reasonable notice, to inspect such records.

4. Action Taken Without a Meeting. Any action that the Board is required or permitted to take may be taken without a meeting, if all members of the Board consent in writing to that action. Such action by written consent shall have the same force and effect as any other valid approved action of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD

1. Powers. The Board shall have all powers conferred on the Association as set forth in the Declaration and these Bylaws, except those powers expressly reserved to the members. In addition, the Board shall appoint and remove at its pleasure all officers, agents, and employees of the Association, and shall prescribe powers and duties for them that are consistent with the Declaration, the Articles, these Bylaws, and any applicable laws.

2. Duties. The Board shall be responsible for the performance of the duties of the Association, with particular attention to those duties outlined in Articles VIII, IX, and X, as set forth in the Declaration, and shall supervise any and all officers, agents, and employees of the Association for the proper performance of their duties.

ARTICLE IX

OFFICERS AND THEIR DUTIES

1. Officers of the Association. The officers of the Association shall be a president, a secretary, and a chief financial officer.

2. Election of Officers. The officers, except those appointed under Section 3 of this Article, shall be chosen annually by the Board and shall serve at the pleasure of the Board. The Board shall appoint one of its Board members as president and one as the chief financial officer; the other officers need not be Board members.

3. Other Officers. The Board may appoint any other officers that the Association may require. Each officer so appointed shall have the title, hold office for the period, have the authority and perform the duties specified or determined from time to time by the Board.

4. Removal or Resignation of Officers. Any officer may be removed with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board. Any such resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective.

5. Duties. The duties of the officers shall be as follows:

(a) President

The president shall be the general manager and chief executive officer of the Association and generally supervise, direct and control the Association's activities, affairs and officers. The president shall preside at all meetings of members and at all meetings of the Board. The president shall have such powers and duties as may be prescribed by the Board and these Bylaws.

(b) Secretary

The secretary shall keep or cause to be kept, at the Association's principal office, the following:

(i) A book of minutes of all meetings, proceedings, and actions of the Board and of members. The minutes of meetings shall include the time and place of holding, the notice given, the names of those present at Board meetings and the number of members present or represented at members' meetings.

(ii) A copy of the Articles and Bylaws, as amended to date.

(iii) A record of the members, showing the names of all members and their addresses.

Except as otherwise provided in these Bylaws, the secretary shall give, or cause to be given, the notices required by these Bylaws for meetings of members and the Board. The secretary shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

(c) Chief Financial Officer

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the properties and transactions of the Association, and shall send or cause to be sent to the members and Board members such financial statements and reports as are required by law, the Declaration, these Bylaws or the Board. The books of account shall be open to inspection by any Board member at all reasonable times.

The chief financial officer shall deposit, or cause to be deposited, 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 Board, when requested, an account of all transactions made on behalf of the Association and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

6. Multiple Offices. The offices of secretary and chief financial officer may be held by the same person.. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Article IX, Section 3.

7. Joint Signatures. Unless the Board authorizes otherwise, any check or other negotiable instrument issued by the Association shall require the joint signatures of any two of the following officers: the president, the chief financial officer, and the secretary.

8. Compensation. Officers shall not receive any compensation for any service rendered to the Association as an officer, provided that any officer may be reimbursed for actual out-of-pocket expenses incurred in the performance of his or her duties.

ARTICLE X

ASSESSMENT AND COLLECTION PROCEDURES

1. Assessments. Each lot owner shall pay to the Board, as of September 1 of each year, a fee, to be levied pursuant to the provisions of the Declaration. All monies collected shall be put into a fund to be used to defray expenses attributable to the necessary maintenance and repairs, including slope banks, drainage systems and structures, and to the pavement or surface of the streets.

Each assessment or installment, together with any late charge, interest, collection costs, and reasonable attorney's fees, shall be the personal obligation of the owner at the time such assessment or installment becomes due and payable.

2. Method of Levying Fees. Such fees levied by the Board shall be based on the principle of proportionate use and will, necessarily, be unequal as between the lots. In levying such fees, the Board shall always be guided by principles set forth in Civil Code Section 845, and as such Section 845 may be changed or amended in the future and interpreted by court decisions.

In levying such fees, the Board shall always be guided by the principles of fairness, with due regard given to the actual use of any street on any given Lot, or group of lots.

ARTICLE XI

AMENDMENTS

1. Amending the Bylaws. These Bylaws may be amended at regular or special meetings of members by a majority vote of the voting power of all of the members, and a majority of the voting power of all members of the Association other than Declarant.

2. Amending the Articles. The Articles of Incorporation may be amended by a majority vote of the Board, a majority of the voting power of the members, and a majority of the voting power of all the members other than Declarant.

3. Amendment Restrictions. Notwithstanding the amendment requirements contained in Sections 1 and 2 of This Article XI, the percentage of the voting power of the Association or of members other than the Declarant necessary to amend a specific clause or provision in these Bylaws or the Articles shall not be less than the prescribed percentage of affirmative votes required for action to be taken under the clause or provision; and, if applicable, any amendment to the Articles or Bylaws shall satisfy the requirements of California Business and Professions Code Section 11018.7, and the requirements of the Declaration regarding the consent of first Mortgagees.

ARTICLE XII

GENERAL PROVISIONS

1. Conflict with Declaration. If any provision of these Bylaws conflicts with any provision of the Declaration, the Declaration shall control to the extent of any such conflict.

2. Fiscal Year. Unless the Board determines otherwise, the fiscal year of the Association shall be a calendar year.

3. Records. The Association shall maintain the following records:

- (a) adequate and correct books and records of account;
- (b) Written minutes of the proceedings of its members and Board; and
- (c) A record of its members, giving their names and addresses.

The Association shall keep at its principal office the original or a copy of the Declaration, the Articles and these

Bylaws, as amended to date, which shall be open to inspection by the members at all reasonable times during office hours.

EXECUTED this 21st day of April, 1989, at Atascadero, California.

W. Hartzel

Board Member

[Signature]
Board Member

Mani M. Hartzel
Board Member