

BYLAWS

Comments

OF

PARK MEDITERRANIA OWNERS ASSOCIATION

Article I

NAME AND LOCATION

The name of the corporation is PARK MEDITERRANIA OWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in the City of Colton, County of San Bernardino, State of California.

Article II

DEFINITIONS

Section 1. The "articles" shall mean the articles of incorporation of the Association as said articles may be amended from time to time.

Section 2. The "board" shall mean the board of directors of the Association.

Section 3. The "common area" shall mean all real property, including all improvements thereon, owned from time to time by the Association for the common use and enjoyment of the owners. The common area to be owned by the Association prior to the closing of the first lot sale in the first phase of development is described as Lot 41 in Tract No. 10333 in the City of Colton, County of San Bernardino, State of California, as per Plat recorded in Book 142 of Maps, Pages 1 through 3 inclusive, Records of San Bernardino County.

Section 4. The "Declarant" shall mean and refer to Villa Mediterranean, a general partnership composed of H & R Co. (a partnership composed of Ralph E. Perkins, Laura Y. Perkins and Horace Steele) and Edwin W. Estes, a married man, Nieuport B. Estes, a married man, and Marion E. Fletcher, a married woman, its successors and assigns if such successors and assigns should acquire more than one undeveloped lot for the purpose of development.

Section 5. The "Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions recorded or to be recorded in the Official Records of San Bernardino County, and any amendments and supplements thereto applicable to the "properties" (defined below).

Section 6. A "lot" shall mean any numbered plot of land.

Section 7. A "Member" shall mean every person or entity who holds membership in the Association.

Section 8. A "mortgage" shall mean a mortgage or deed of trust encumbering a lot or other portion of the properties. A "mortgage shall also mean an installment sales contract as to a lot or other portion of the properties entered

into under and pursuant to Article 3, Chapter 5, Division 4 of the California Military and Veterans Code whereunder The Department of Veterans Affairs of the State of California ("DVA") is Seller (a "Cal-Vet" contract). The term "mortgagee" shall include the beneficiary under a deed of trust and the DVA under a Cal-Vet contract.

Section 9. An "owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. The purchaser of a lot from the DVA under a recorded Cal-Vet contract shall be an owner.

Section 10. The "properties" shall mean and refer to the real property described in the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 11. A "phase of development" shall mean all of the real property and improvements thereon made subject to the Declaration by the recordation of a separate and distinct declaration of annexation, excepting that the first phase of development shall mean and refer to all of the real property and improvements thereon made subject to the Declaration by the initial recordation thereof.

Article III MEMBERSHIP

Every record owner of a lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot. Ownership of a lot shall be the sole qualification for membership.

Article IV PROPERTY RIGHTS - RIGHT OF ENJOYMENT

Each member shall be entitled to the use and enjoyment of the common area as provided in the Declaration. Any member may delegate his rights of enjoyment in the common area to members of his family, his tenants and contract purchasers who resides on the property, subject only to the provisions of the Declaration.

Article V BOARD OF DIRECTORS SELECTION - TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a board of six (6) directors who shall be members of the Association or designees of Declarant. The number of directors may be increased from time to time but in no event shall there be less than six (6) directors by the amendment of these by-laws or by amendment to the articles.

Section 2. Election. At the first annual meeting of the Association the members shall elect six (6) directors. The three (3) elected directors receiving the highest number of votes shall be deemed elected for a period of two (2) years, and the remaining elected directors (including any "specially elected directors" elected

As amended by the By-Law Amendment dated February 9, 1982, this section reads in full as follows: Section 2. Election. At

pursuant to Section 4, below) shall be deemed elected for a period of one (1) year. At the expiration of the initial term of each respective director, his successor shall be elected to serve a term of one (1) year. The directors shall hold office until their successors have been elected and hold their first meeting. All board elections shall be by secret written ballot.

the first annual meeting of the Association the members shall elect six (6) directors. The three (3) elected directors receiving the highest number of votes shall be deemed elected for a period of two (2) years, and the remaining elected directors (including any "specially elected directors" elected pursuant to Section 4, below) shall be deemed elected for a period of one (1) year. Beginning with the 1982 term, three directors shall be elected for a period of two (2) years. Three of the incumbent directors shall remain on the board for a period of one (1) year. The three incumbent directors which will continue to serve, shall be determined by the current board of directors. At the expiration of the term of each respective director his successor shall be elected to serve a term of two (2) years. The directors shall hold office until their successors have been elected and hold their first meeting. All board elections shall be by secret written ballot.

Section 3. Election and Removal. Subject to the provisions of Section 4, next, election to and removal from the board shall be by cumulative voting. In this regard, each member shall be entitled to vote, in person or by proxy, as many votes as such member is entitled to exercise as set forth in the Declaration multiplied by the number of directors to be elected or removed, as the case may be, and he may cast all of such votes for or against a single candidate or director, or he may distribute them among the number of candidates or directors to be so elected or removed, or any two or more of them, in such manner as he deems appropriate. The candidates receiving the highest number of votes, up to the number of board members to be elected shall be deemed elected. As to removal, unless the entire board is removed, an individual director shall not be removed prior to the expiration of his term of office if the number of votes (calculated on the basis of cumulative voting) voted against the resolution for his removal exceeds the quotient arrived at when the total outstanding votes entitled to vote (calculated on the basis of cumulative voting) is divided by one plus the authorized number of directors. In the event of the death or resignation of a director, his successor shall be selected by the remaining members of the board and shall serve for the unexpired term of his predecessor. In the event of the removal of a director, his successor shall be elected by the members by the application of cumulative voting as hereinabove provided.

Determining the votes required to remove a director (when less than the entire Board is being removed) is actually more complicated than this section indicates. Corporations Code Section 7222(b)(1) provides that a director is not removed when the votes cast against removal would be sufficient to elect that director if voted cumulatively at an election at which the same number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being elected.

This requirement can be more easily understood by using the following formula to determine the number of votes which must be cast against removal for the

director to retain his seat. The votes needed to defeat removal of each director (less than the entire Board) must be calculated separately.

$$(a/b+1) + 1 = C$$

With respect to this formula, "a" is the total number of votes that are cast at the removal meeting (not counting abstentions); "b" represents the total number of directors who were elected at the time the director who is being removed was last elected; and "c" represents the minimum number of votes which must be cast against removal (not counting abstentions) in order for the director to retain his seat on the Board.

Section 4. Specially Elected Director. Notwithstanding any provisions of these by-laws to the contrary, so long as all owners other than Declarant do not possess a sufficient number of votes by the application of cumulative voting to elect at least two (2) of the original directors or 20% of the total of any future directors, the election of the two (2) initial directors or 20% of the total of any future directors ("specially elected directors") shall be determined at a special election held immediately prior to the holding of the regular election of directors (except in the case of the election of a specially elected director following death, resignation or removal of his predecessor as noted below). In this regard, at the duly constituted meeting of members in question nominations for the specially elected directors shall be made from the floor. When nominations have been closed, the special election shall take place. Declarant shall not have the right to participate in or vote in such special election (although Declarant or Declarant's representatives may be present thereat) and the two (2) candidates receiving the highest number of votes shall be deemed to be the specially elected directors, and their term shall be one (1) year. Unless members (excluding Declarant) holding a majority of all voting rights (excluding any voting rights held by Declarant) assent thereto by vote or written consent, such specially elected directors may not be removed prior to the expiration of their terms. In the event of the death, resignation or removal of a specially elected director, his successor shall be elected at a special meeting of members, and the provisions above set forth respecting the election of specially elected directors shall apply as to the election of a successor thereof. Except as otherwise expressly provided herein, the provisions of these By-Laws, the Declaration and the Articles applicable to directors shall apply to specially elected directors. From the first election of the directors and thereafter for so long as a majority of the voting powers of the association resides in the subdivider (declarant) or so long as there are two (2) classes of membership in the

association, not less than 20% of the incumbent directors shall have been elected solely by the votes of owners other than the subdivider (declarant).

Section 5. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 6. Nomination. Nomination for election to the board shall be made by a nominating committee. Nominations shall 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 two or more members of the Association. The nominating committee shall be appointed by the board prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The nominating committee shall make as many nominations for election to the board as it shall in its discretion determine, but no less than the number of vacancies that are to be filled.

Article VI
POWER AND DUTIES
OF THE BOARD OF DIRECTORS

Section 1. Powers. The board shall have power:

(a) To adopt and publish Association rules (as defined in the Declaration).

(b) To exercise, for the Association, all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these by-laws, the articles or the Declaration.

(c) To declare the office of a member of the board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the board.

(d) To employ a manager, an independent contractor, managing agent (which may be a corporation), or such other employees as the board deems necessary and to prescribe their duties; provided that any managing agent or manager selected prior to the first annual meeting shall be employed to manage only until such first annual meeting at which time the continuance of the same or the selection of another managing agent shall be determined by majority vote by the members provided further, that any contract for materials and/or services for the common area entered into by the board shall be limited to one (1) year, except with the approval of those members holding 51% of the total voting rights.

(e) To establish, levy, assess and collect assessments or charges as provided in the Declaration.

Civil Code Section 1366 allows an Association to levy "regular and special assessments sufficient to perform its obligations under the governing documents and this title." Instances may arise in which the Association must assess its members to allow it to perform

its obligations under the governing documents and the Civil Code. In such instances, Civil Code Section 1366 allows the Association to levy special assessments for purposes other than funding capital improvements, if the Board determines that such assessments are necessary to enable the Board to carry out its obligations under the governing documents.

Section 1366(b) allows the Association to levy special assessments in an aggregate amount of up to 5% of the Association's budgeted gross expenses for the current fiscal year without the approval of the members. Any special assessment exceeding this amount must be approved by a majority of a quorum of the members. For purposes of Section 1366(b), a quorum is more than 50% of the members.

In addition, Civil Code Section 1366 allows the Association to levy a special assessment of any amount without member approval, if necessary for any one of the following emergency situations:

(a) An extraordinary expense required by Court order.

(b) An extraordinary expense necessary to repair or maintain the common interest development or any part of it for which the Association is responsible where a threat to personal safety on the property has been discovered.

(c) An extraordinary expense necessary to repair or maintain the common interest development or any part of it for which the Association is responsible, that could not have been reasonably foreseen by the Board in

preparing and distributing the pro forma operating budget under Civil Code Section 1365.

(f) To delegate authority to committees, officers or employees.

(g) To impose monetary penalties, suspend the voting rights and right to use any recreational facilities by an owner for any period during which any assessment against his lot remains unpaid; and for a period not to exceed thirty (30) days for any infraction of its published rules and regulations after reasonable written notice and an opportunity for a hearing before the board. However, there can be no purported power in the association to cause a forfeiture or abridgement of an owner's rights to the full use and enjoyment of his individually owned subdivision interest on account of a failure by the owner to comply with provisions of the governing instruments or of duly-enacted rules of operation for common areas and facilities except where the loss or forfeiture is the result of the judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the owner to pay assessments levied by the association.

Section 2. Duties. It shall be the duty of the board:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to members at the annual meeting or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the class A membership.

(b) To supervise all officers, agents, and employees of the Association and to see that their duties are properly performed.

(c) To cause to be distributed to each owner: an annual pro-forma operating statement (budget) distributed not less than 60 days prior to the beginning of the fiscal year; a balance sheet (accounting date being last day of month closest to six (6) months from the date of the close of the first sale of a lot) and an operating statement for the period from the date of the first closing to said accounting date, both to be distributed no later than 60 days after the accounting date, such operating statement to include a schedule of assessments received and receivable by the name of the entity assessed and the number of the lot; a balance sheet as of the last day of the Association's fiscal year and an operating statement for said fiscal year to be distributed within 90 days after the close of the fiscal year. If the gross income of the Association exceeds \$75,000.00 for any fiscal year an external audit by an independent public accountant shall be required for financial reports, other than budgets and should be distributed as stated herein.

Whether this section supplements or is superseded by the provisions of the Civil Code concerning the Association's preparation of financial and other reports is unclear. However, notwithstanding this section of the By-laws, Civil Code Section 1365 requires that specific financial documents be prepared by the Association and distributed to all of its members. Specifically, the Association must prepare a pro forma operating budget to be distributed between 45 and 60 days prior to the beginning of its fiscal year. This budget must set forth:

(1) the estimated revenue and expenses on an accrual basis;

(2) the identification of the total cash reserves currently set aside;

(3) an estimate of the current replacement costs of, and the estimated remaining useful life of, and the methods of funding used to defray the future repair, replacement, or additions to, those major components which the Association is obligated to maintain; and

(4) a general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Association is obligated to maintain. The financial statement must be reviewed by a licensed accountant in any fiscal year in which the Association's gross income exceeds \$75,000, and a copy of this review must be distributed to the members within 120 days after the close of each fiscal year. Alternatively, the Board of Directors can notify members of the availability of a copy of the financial statement at its business office.

Further, Section 1365(d) requires that the Association prepare a statement describing its policies and practices in enforcing lien rights or other legal remedies against members for default in the payment of assessments. This statement must be delivered to the members annually during the 60-day period immediately preceding the beginning of the Association's fiscal year.

(d) To procure and maintain adequate liability insurance, procure adequate hazard insurance on property owned by the Association and adequate fidelity bonds and directors and officers coverage, which insurance and bonds shall be periodically

reviewed as to adequacy in scope, coverage and amount not less frequently than every two years.

(e) To cause the common area to be maintained and to perform such other obligations respecting maintenance as are set forth in the Declaration.

(f) To pay all taxes and assessments if any, which are or could become a lien on the common area and which are not separately taxed to owners.

(g) To furnish, or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid, and, in this regard, a properly executed certificate of the Association as to the status of the assessments on a lot shall be binding upon the Association as of the date of its issuance.

(h) To foreclose the lien against any property for which assessments or installments thereof are delinquent pursuant to the procedure set forth in Article V of the Declaration.

Section 3. Limitations. The board is prohibited from taking any of the following actions except with the vote or written assent of a majority of the voting power of the association residing in members other than the subdivider.

(1) Entering into a contract with a third person wherein the third person will furnish goods or services for the common area or the owners' association for a term longer than one year with the following exceptions:

(A) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(B) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(C) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits for short rate cancellation by the insured.

(2) Incurring aggregate expenditures for capital improvements to the common area in any fiscal year in excess of 5% of the budgeted gross expenses of the association for that fiscal year.

(3) Selling during any fiscal year property of the association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the association for that fiscal year.

(4) Paying compensation to members of the governing body or to officers of the association for services performed in the conduct of the association's business provided, however, that the governing body may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the association.

Section 4. Regular Meetings. Regular meetings of the board shall be held monthly at such place within the properties and at such time as may be fixed by resolution of the board. Notice of the place and time of such meeting shall be posted at a prominent place or places within the properties.

Section 5. Special Meetings. Special meetings of the board shall be held when called by written notice signed by the president of the Association, or by any two (2) directors other than the president. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all directors and posted in a manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting.

Section 6. Quorum. A majority of their number of directors shall constitute a quorum for the transaction of business at a meeting of the board. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board.

Section 7. Action Taken Without A Meeting. At any time prior to the holding of the first annual meeting, the directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors as provided in California Corporations Code Section 814.5. Any action so approved shall have the same effect as though taken at a meeting of the board.

Section 8. Membership Attendance At Board Meetings. Regular and special meetings of the board shall be open to all members of the Association; provided, however, Association members who are not on the board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the board.

Section 9. Executive Session. 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 a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Article VII COMMITTEES

The board may appoint an architectural committee, as provided in the Declaration, and shall appoint a nominating committee as provided in these by-laws. In addition, the board shall appoint such other committees as it deems appropriate in carrying out its purposes. It shall be the duty of each committee to receive complaints from members on any matter involving Association functions, duties and activities within its field of responsibility. Each such committee shall dispose of such complaints as it deems appropriate or shall refer them to such other committees, directors or officers of the Association as may be further concerned with the matter presented.

Article VIII
MEETINGS OF THE MEMBERS

Section 1. Annual Meetings. The first annual meeting shall be held within forty-five (45) days after the closing of the sales of fifty-one percent (51%) of the lots within the first phase of development, but in no event shall such first annual meeting be held later than six (6) months after the close of the sale of the first lot within the first phase and each subsequent regular meeting shall be held on the same day of the same month of each year thereafter, at 7:30 p.m. If the day for the annual meeting shall be a legal holiday, then the meeting shall be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings may be called at any time by the president, by the vote of a quorum of a majority of the board, upon written request signed by members who are entitled to vote not less than twenty-five percent (25%) of the total voting rights of the Association, or upon written request signed by members who are entitled to vote not less than fifteen percent (15%) of the total voting rights of the Association excluding any voting rights held by Declarant.

The portion of this section providing that special members' meetings may be called by members holding not less than twenty-five percent (25%) or fifteen percent (15%) of the total voting power of the Association is superseded by Corporations Code Section 7510(e) which provides that special meetings of members may be called for a lawful purpose by five percent (5%) or more of the members.

Section 3. Place of Meetings. Both annual and special meetings of members shall be held within the properties or as close thereto as practicable.

Section 4. Notice of Meetings. Written notice of each meeting of the members shall be given by or at the direction of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days but not more than thirty (30) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose thereof. The time for the giving of notices of meetings of members may be shortened in emergency situations.

Section 5. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, at least fifty-one percent (51%) of the votes of the entire membership shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or the By-Laws. If, however, such quorum shall not be present in person or by proxy at any such meeting, the members entitled to vote thereat shall have power to adjourn the meeting without notice other than announcement at the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the presence of members entitled to cast, or proxies entitled to cast, at least twenty-five percent (25%) of the votes of the entire membership shall

Notwithstanding any contrary intent or interpretation of this paragraph, no meeting may be adjourned for more than forty-five (45) days under Corporations Code Section 7511(d).

constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these By-Laws.

Section 6. Proxies and Voting. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

Section 7. Association Action. Any provision in the governing instruments calling for membership approval of action to be taken by the Association, shall expressly require the vote or written assent of a prescribed percentage of each class of membership during the time that there are two outstanding classes or membership except with respect to the action referred to in Section 2792.4 of the Regulations of the Real Estate Commissioner to enforce the obligations of the subdivider and surety under the bond to secure performance of the commitment of the subdivider to complete the improvements. A vote of a majority of the voting power of the Association residing in members other than the subdivider to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the governing body shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

Section 8. Written Consent. Any action which may be taken at a meeting of members may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote thereon at such meeting and filed with the Secretary. In addition, if after the holding of any meeting of members at which a quorum is present, any proposed action is favored by a majority of the votes cast at such meeting, but such votes are less than the requisite number thereof for the approval of such proposed action, members who were not present in person or by proxy may give their assent in writing provided same is obtained by a duly elected and acting officer of the Association not later than thirty (30) days from the date of such meeting.

This section is based on Corporations Code Section 7511(e). This section is not intended to allow members to vote by absentee ballot, either before or after the meeting. Only the votes of those members present at the meeting in person or by proxy may be counted. Corporations Code Section 7511(e) is solely intended to provide a method for correcting defects in the notice of the meeting, such as failure to distribute the notice to all members, or failure to include all required information in the notice; it is not intended to allow members to vote other than in person or by proxy.

Article IX
OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president, and a vice-president, who shall at all times be members of the board, a secretary and a treasurer, and such other officers as the board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the board, following each annual meeting of the members.

Section 3. Term. Each of the officers of this Association shall be elected annually by the board and each shall hold office for one (1) year, unless he shall sooner resign or shall be removed or shall otherwise become disqualified to serve.

As amended by the By-Law Amendment dated February 9, 1982, this section reads in full as follows:

Section 3. Term. Each of the officers of this Association shall be elected annually by the board and shall hold office for two (2) years, unless he shall sooner resign or shall be removed or shall otherwise become disqualified to serve.

Section 4. Special Appointments. The board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the board. Any officer may resign at any time by giving written notice to the board, the president or the secretary. Such resignation shall take effect on the date of 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. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaced.

Section 7. Multiple Offices. The offices of secretary and treasurer 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 Section 4 of this Article IX.

Section 8. Duties. The duties of the officers are as follows:

President. The president shall preside at all meetings of the board, shall see that orders and resolutions of the board are carried out, shall sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and promissory notes.

Vice-President. The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the board.

Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the board and of the members, shall keep the corporate seal of the Association and affix it on all papers requiring said seal, shall

serve notice of meetings of the board and of the members, shall keep appropriate current records showing the members of the Association, together with their addresses, and shall perform such other duties as may be required by the board.

Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association, shall disburse funds of the Association as may from time to time be required, shall co-sign all checks and promissory notes of the Association, shall keep proper books of account, and shall cause such audits, balance sheets and operating (income) statements as are required by the Declaration to be prepared and distributed.

Article X
ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association regular and special assessments which are secured by a continuing lien upon the lot against which the assessment is made. Any installments of assessments which are not paid when due shall be delinquent. If an assessment installment is not paid within thirty (30) days after its due date, same shall bear interest from the due date at the rate of six percent (6%) per annum. In such event, the Association shall either bring an action at law against the owner personally obligated to pay the same or shall foreclose (by judicial or non-judicial proceedings) the lien against the lot, and interest, costs and reasonable attorneys' fees shall be added to the amount of such delinquent assessment installments. No owner may waive or otherwise escape liability for assessments by non-use or abandonment of his lot or the common area.

Civil Code Section 1367(a) provides that assessments and any late charges, costs of collection and interest assessed shall be the debt of the owner of the separate interest at the time the assessment and such other sums are levied. No owner is liable for the assessments or dues levied against any other owner in the Association. Each owner is only responsible for paying the assessments and dues levied against him or against his lot.

Civil Code Section 1366(c) supersedes any contrary provisions of the By-laws or CC&Rs concerning treatment of delinquent assessments. Specifically, Civil Code Section 1366(c) allows the Association to recover from the delinquent homeowner:

1. Reasonable costs incurred by the Association in collecting the delinquent assessment, including attorney fees.
2. A late charge not exceeding ten percent (10%) of the delinquent assessment or ten dollars (\$10), whichever is greater, unless the Declaration or By-laws specify a smaller amount in which case any late charge imposed shall not exceed the specified amount; and

3. Interest on all of the above sums including the delinquent assessment, reasonable collection costs and late charges, at an annual percentage rate not to exceed twelve percent (12%). Interest may only accrue commencing with the 30th day following the date upon which the assessment was due.

This section of the By-laws provides that delinquent assessments shall bear interest from the date of delinquency at the rate of six percent (6%) per annum. However, since Section 1366(c) provides that assessments shall not bear interest until they are thirty (30) days overdue, the Civil Code supersedes and controls over this provision of the By-laws.

Article XI
CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the name of the Association, its date of incorporation and such other matters as may be required by the laws of the State of California.

Article XII
AMENDMENTS: CONFLICTING PROVISIONS

Section 1. By-Laws. These by-laws may be amended by vote or written consent of any group of members holding not less than fifty-one percent (51%) of the total voting rights, which group of members shall, in any event, include a subgroup of members (excluding Declarant) holding not less than fifty-one percent (51%) of the total voting rights of the Association (excluding any such voting rights held by Declarant), excepting that if approval of such amendment is sought at any time when two classes of members are still in effect, then and in that event, these by-laws shall instead be amended only by vote or written consent of members holding not less than fifty-one percent (51%) of the class A voting rights and members holding not less than fifty-one percent (51%) of the class B voting rights, provided, however, the foregoing notwithstanding, the percentage of voting rights necessary to amend any specific provision or clause of these by-laws shall not, in any event, be less than the prescribed percentage of affirmative voting rights, if any, required for action to be taken under that specific provision or clause.

The Corporations Code provides that certain provisions in the By-laws of a Nonprofit Mutual Benefit corporation may only be adopted, amended or repealed by the members. In general, Corporations Code Section 7150(a) requires member approval if the amendment would:

(1) Materially and adversely affect the rights of members as to voting, dissolution, redemption, or transfer;

(2) Increase or decrease the number of members authorized in total or for any class;

(3) Effect an exchange, reclassification or cancellation of all or part of the memberships; or

(4) Authorize a new class of membership.

In addition, the adoption, amendment or repeal of by-laws addressing the following matters may not be effected without member approval:

(1) The number of directors of the corporation. (Corp.Code Section 7151(a).)

(2) The term of office of directors. (Corp.Code Section 7220(a).)

(3) The quorum for members' meetings. (Corp.Code Section 7512(a).)

(4) The creation or restriction of members' right to vote by proxy. (Corp.Code Section 7613.)

(5) The adoption or restriction of the members' right to vote cumulatively. (Corp.Code Section 7615.)

Section 2. Conflicting Provisions. In the case of any conflict between the articles and these by-laws, the articles shall control; in the case of any conflict between the Declaration and these by-laws, the Declaration shall control; and in the case of any conflict between the articles and the Declaration, the Declaration shall control.

Article XIII
BOOKS AND RECORDS

The membership register, if any, books of account and minutes of meetings of the members, of the board and of committees of 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 at the office of the

Corporations Code Section 8333 provides that the accounting books and records and minutes of proceedings of the members and

Association or at such other place within the properties as the board shall prescribe. In this regard, the board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the cost of reproducing copies of documents requested by a member.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical property owned or controlled by the Association, if any. The right of inspection by a director shall include the right to make extracts and copies of any and all documents.

the board and committees of the board shall be open to inspection upon the written demand on the corporation of any member at any reasonable time, for a purpose reasonably related to such person's interests as a member.

Corporations Code Section 8334 provides that every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation of which such person is a director.

Article XIV
FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Article XV
ROSTER OF MORGAGEES

The owner or owners of each lot shall provide the board with the names and addresses of all mortgagees encumbering such lot, and the board, acting on behalf of the Association, shall maintain a roster of all mortgagees of lots.

IN WITNESS WHEREOF, the undersigned, constituting the incorporators of the Association have adopted these By-Laws as of June 25, 1979.

bylaws