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FOR BYLAWS OF
LAKE HILLS MAINTENANCE CORPORATION

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BYLAWS

OF

LAKE HILLS MAINTENANCE CORPORATION

ARTICLE I

PLAN OF OWNERSHIP

Section 1.01. Name. The name of the corporation is LAKE HILLS MAINTENANCE CORPORATION, hereinafter referred to as the "Maintenance Corporation." The principal office of the Maintenance Corporation shall be located in the unincorporated Lake Mathews area of the County of Riverside, State of California.

Section 1.02. Application. The provisions of these Bylaws are applicable to the residential master planned community development known as LAKE HILLS, located in the unincorporated Lake Mathews area of the County of Riverside, State of California. All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Lake Hills (the "Master Declaration" herein) Recorded or to be Recorded in the Office of the Riverside County Recorder and applicable to the Properties. The mere acquisition or rental of any Lot or Condominium in the Properties or the mere act of occupancy of any Lot or Condominium will signify that these Bylaws are accepted, ratified, and will be complied with.

Section 1.03. Meaning of Terms. Unless otherwise expressly provided herein, the capitalized terms used in these Bylaws shall have the same meaning as are given to such terms in the Master Declaration.

ARTICLE II

VOTING BY MAINTENANCE CORPORATION MEMBERSHIP

Section 2.01. Voting. Members shall elect Delegates to act on their behalf as set forth in Article IV of the Master Declaration. The Classes of voting Memberships, the number of votes (i.e., voting power) held or represented by each Delegate, the manner in which Members shall elect Delegates, and the manner in which each Delegate shall cast votes held by her or him shall be as set forth in the Master Declaration, and the provisions of the Master Declaration governing all such matters (including, without limitation, the special approval procedures for Specified Actions pursuant to Section 4.04(c) of the Master Declaration) are specifically incorporated by reference herein.

Section 2.02. Majority of Quorum. Unless otherwise expressly provided in these Bylaws or the Master Declaration, any action which may be taken by the Delegates shall require the vote of a majority of a quorum of the Delegates of the Maintenance Corporation. If, however, a meeting is actually attended by Delegates representing less than one-third (1/3) of the voting power of the Maintenance Corporation, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.05

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hereof. As used in the Restrictions, reference to a specified percentage "of Delegates" shall mean those Delegates representing the applicable specified percentage of the voting power of the membership in the Maintenance Corporation.

Section 2.03. Quorum. Except as otherwise provided in these Bylaws, the presence in person of the Delegates representing at least twenty-five percent (25%) of the voting power of the Maintenance Corporation shall constitute a quorum of the membership. However, if any action or actions to be taken at any meeting of members requires only the approval of a requisite percentage of the voting power of Owners responsible for a particular Cost Center ("Cost Center Group"), then the presence in person of Delegates representing at least a majority of the voting power of the Membership of the Maintenance Corporation residing in such Cost Center Group, shall constitute a quorum of the Membership, but only for purposes of taking action on those matters requiring the approval of the Membership of the Maintenance Corporation residing in such Cost Center Group. The Delegates 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 Delegates to leave less than a quorum. Delegates may only act personally at a meeting of the Delegates of the Maintenance Corporation or by written ballot, and may not act by proxy.

ARTICLE III

ADMINISTRATION

Section 3.01. Maintenance Corporation Responsibilities. In accordance with the provisions of the Master Declaration, the Maintenance Corporation shall have the responsibility of administering the Corporation Property, approving the annual budget for the Properties, establishing and collecting all assessments applicable to the Corporation Property or authorized pursuant to the Master Declaration, and arranging for the overall architectural control of the Properties.

Section 3.02. Place of Meetings of Delegates. Meetings of the Delegates shall be held on the Properties or such other suitable place in the County in which the Properties are located, as proximate thereto as practicable and convenient to the Delegates, as may be designated by the Board from time to time.

Section 3.03. Annual Meetings of Delegates. The first annual meeting of Delegates shall be held within forty-five (45) days after Close of Escrow has occurred for the sale of fifty-one percent (51%) of all Lots and Condominiums in the first Phase of Development in which a Close of Escrow occurs for the sale of a Lot or Condominium ("Initial Phase of Development") or within six (6) months after the first Close of Escrow for the sale of a Lot or Condominium in the Initial Phase of Development, whichever occurs first. Thereafter, the annual meetings of Delegates shall be held on or about the anniversary date of the first annual meeting. At each annual meeting there shall be elected by ballot of the Delegates a Board, in accordance with the requirements of Section 4.05 of these Bylaws. Each first Mortgagee of a Lot or Condominium in the Properties may designate a representative to attend all annual meetings of the Delegates. The annual meetings of the Delegates shall be open to attendance by all Members and Mortgagee representatives to the extent of the permissible capacity of the meeting room.

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Section 3.04. Special Meetings of Delegates. It shall be the duty of the President to call a special meeting of the Delegates, as directed by resolution of a majority of a quorum of the Board, or upon a petition being presented to the Secretary signed by Delegates representing at least five percent (5%) of the total voting power of the Maintenance Corporation. The notice of any special meeting shall be given within twenty (20) days after adoption of such resolution or receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or receipt of such petition. No business shall be transacted at a special meeting except as stated in the notice. Each first Mortgagee of a Lot or Condominium in the Properties may designate a representative to attend all special meetings of the Delegates. The special meetings of the Delegates shall be open to attendance by all Members and by Mortgagee representatives to the extent of the permissible capacity of the meeting room.

Section 3.05. Notice of Meetings. It shall be the duty of the Secretary to send to each Delegate of record, the Class C Member (if Directors are to be elected at such meeting), and to each first Mortgagee of a Lot or Condominium, which Mortgagee has filed a written request for notice with the Secretary, a notice of each annual or special meeting by first-class mail, at least sixty (60) but not more than ninety (90) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held. The notice may set forth time limits for speakers and nominating procedures for the meeting. 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 given to the Delegates. The notice of a meeting shall be considered served forty-eight (48) hours after such notice has been deposited in a regular depository of the United States mail postage prepaid. Such notice shall also be posted in a conspicuous place on the Corporation Property, and shall be deemed served upon any Delegate upon posting if no address has been furnished the Secretary.

Section 3.06. Adjourned Meetings. If any meeting of Delegates cannot be organized because a quorum is not present, a majority of the Delegates who are present may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. Such an adjourned meeting may be held without notice thereof as provided in this Article III, provided that notice is given by announcement at the meeting at which such adjournment is taken.

Section 3.07. Order of Business. The order of business at all meetings of the Delegates shall be as follows: (a) appointment of inspector of election; (b) roll call to determine the voting power represented at the meeting; (c) proof of notice of meeting or waiver of notice; (d) reading of minutes of preceding meeting; (e) reports of officers; (f) reports of committees; (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of Delegates shall be conducted by the officers of the Maintenance Corporation, in order of their authority.

Section 3.08. Action By Written Ballot. Any action which may be taken at a meeting of the Delegates (except for election of Directors) may be taken without a meeting by written ballot of the Delegates. Ballots shall be solicited in the same manner as provided in Section 3.05 for the giving of notice of

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meetings of Delegates. Such solicitations shall specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, (c) the time by which ballots must be received in order to be counted, and (d) that in order to be effective, the ballot must contain the Delegate's certification of the information required pursuant to Section 4.04(d) of the Master Declaration. The form of written ballot shall (i) afford an opportunity to specify the choice between approval and disapproval of each matter, (ii) provide that the vote shall be cast in accordance therewith, and (iii) contain spaces for the Delegate's certification of the information required pursuant to Section 4.04(d) of the Master Declaration. Receipt within the time period specified in the solicitation of a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and a number of approvals which exceeds or equals the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, shall constitute approval by written ballot.

Section 3.09. Consent of Absentees. The transactions occurring at any meeting of the Delegates, 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, and if, either before or after the meeting, each of the Delegates not present 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 3.10. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Delegates, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.01. Number and Qualification. The property, business and affairs of the Maintenance Corporation shall be governed by a Board composed of five (5) persons, each of whom, except for those appointed and serving as first Directors, must either be an Owner of a Lot or Condominium in the Properties, or an agent of Declarant or an agent of a Participating Builder for so long as Declarant or a Participating Builder owns a Lot or Condominium in the Properties or Annexable Area. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws. Directors shall not receive any salary or compensation for their services as Directors, unless such compensation is first approved by the vote of Delegates representing at least a majority of the voting power of the Maintenance Corporation; provided, however, that (a) nothing herein contained shall be construed to preclude any Director from serving the Maintenance Corporation in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for his actual expenses incurred in the performance of such Director's duties.

Section 4.02. Powers and Duties. The Board has the powers and duties necessary for the administration of the affairs of the Maintenance Corporation and may do all such acts and

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things as are not by law or by these Bylaws directed to be exercised and done exclusively by the Members acting through the Delegates. The Board shall not enter into any contract for a term in excess of one (1) year, without the vote of Delegates representing a majority of the voting power of the Maintenance Corporation, except for (a) any contract of a minimum term with a public utility company, regulated by the Public Utilities Commission (such as Southern California Edison Company) which requires a minimum term in excess of one (1) year; (b) a management contract with terms which have been approved by the Veterans Administration or the Federal Housing Administration; (c) prepaid casualty or liability insurance policies of not more than three (3) years' duration provided that the policies permit short-term cancellation by the Maintenance Corporation; or (d) lease agreements for cable, television services, fixtures and equipment of not to exceed five (5) years duration, provided that the lessor or servicer under any such agreement is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

Section 4.03. Special Powers and Duties. Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Master Declaration, the Board is vested with the following powers and duties:

(a) Officers and Agents. The power and duty to select, appoint, and remove all officers, agents, and employees of the Maintenance Corporation and to prescribe such powers and duties for them as may be consistent with law, with the Articles of Incorporation, the Master Declaration and these Bylaws; to fix their compensation (where compensation is permitted) and to require from them security for faithful service when deemed advisable by the Board.

(b) Business Affairs. The power and duty to conduct, manage and control the affairs and business of the Maintenance Corporation, and to make and enforce such Rules and Regulations therefor consistent with law, with the Articles of Incorporation, the Master Declaration and these Bylaws, as the Board may deem necessary or advisable.

(c) Principal Office/Corporate Seal. The power but not the duty to change the principal office for the transaction of the business of the Maintenance Corporation from one location to another within the County in which the Properties are located, as provided in Article I hereof; to designate any place within such County for the holding of any annual or special meeting or meetings of Delegates consistent with the provisions of Article III, Section 3.02 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

(d) Borrowings. With the approval of Delegates representing at least sixty-seven (67%) percent of the voting power of the Maintenance Corporation, the power but not the duty to borrow money and to incur indebtedness for the purposes

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of the Maintenance Corporation, and to cause to be executed and delivered therefor, in the Maintenance Corporation's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(e) Assessments. The power and duty to fix and levy from time to time Common Assessments, Special Assessments, and Reconstruction Assessments upon the Members of the Maintenance Corporation as provided in the Master Declaration; to fix and levy from time to time in any fiscal year Capital Improvement Assessments applicable to that year only for capital improvements to the Corporation Property; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Maintenance Corporation and of taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Maintenance Corporation, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Maintenance Corporation for the general benefit and welfare of its Members, in accordance with the provisions of the Master Declaration. Subject to any limitations imposed by the Master Declaration and these Bylaws, the Board shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Maintenance Corporation or welfare of its Members. The funds collected by the Board from the Members, attributable for replacement reserves, for maintenance costs which cannot normally be expected to occur on an annual basis and for capital improvements, shall at all times be held in trust for the Members. Disbursements from such trust Reserve Fund shall be made only in accordance with the provisions of the Master Declaration. Such Common Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Master Declaration. Should any Members fail to pay any such assessments before delinquency, the Board in its discretion is authorized to enforce the payment of such delinquent assessments as provided in the Master Declaration and these Bylaws.

(f) Enforcement. The power and duty to enforce the provisions of the Restrictions and other agreements of the Maintenance Corporation.

(g) Insurance. The power and duty to contract for and pay premiums, with respect to

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the Corporation Property, for fire, casualty, blanket liability, malicious mischief, vandalism, liquor liability, errors and omissions, and other insurance insuring the Members, the Maintenance Corporation, any Manager, the Board, the members of the Architectural Committee, and other interested parties, in accordance with the provisions of the Master Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Corporation Property).

(h) Services. The power and duty to contract for and pay maintenance, legal, accounting, gardening, common utilities (from any public utility, mutual water company or water production and distribution system owned by the Maintenance Corporation), materials and supplies, and services relating to the Corporation Property and to employ personnel necessary for the operation of the Properties, including legal and accounting services, and to contract for and pay for Improvements on the Corporation Property.

(i) Advisory Committees. The power but not the duty to establish such advisory committees as the Board may deem advisable and to delegate its powers according to law, and to adopt these Bylaws.

(j) Utility Easements. The power but not the duty to grant easements where necessary for utilities and sewer facilities over the Corporation Property to serve the Corporation Property or any portion of the Properties.

(k) Rules and Regulations. The power and duty to adopt such Rules and Regulations as the Board may deem necessary for the management of the Properties, which Rules and Regulations shall become effective and binding after (i) they are adopted by a majority of the entire Board at a meeting called for that purpose, and (ii) they are posted in a conspicuous place in the Corporation Property. Such Rules and Regulations may concern, without limitation, use of the Corporation Property; signs, parking restrictions; common collection and disposal of refuse; minimum standards of property maintenance consistent with the Master Declaration, use of the R.V. Storage Area, if any, and the procedures of the Architectural Committee; and any other matter within the jurisdiction of the Maintenance Corporation as provided in the Master Declaration; provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Master Declaration, the Articles and these Bylaws, and the Rules and Regulations may not be used to amend any of such documents.

(l) Corporate Records. The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the

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Maintenance Corporation and to present a statement thereof to the Delegates at the annual meeting of the Delegates and at any other time that such statement is requested by Delegates representing at least ten percent (10%) of the Members who are entitled to vote.

(m) Sale of Corporation Property. The power but not the duty to sell property of the Maintenance Corporation, provided, however, that the prior vote of Delegates representing at least seventy-five percent (75%) of the voting power of the Maintenance Corporation must be obtained to sell during any fiscal year property of the Maintenance Corporation having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Maintenance Corporation for that fiscal year.

(n) Management Agent. The power but not the duty to act as the management agent for any Subassociations within the Properties, and to charge a reasonable fee for such management services.

(o) Governing Documents. The power and duty to make available to any prospective purchaser of a Lot or Condominium, any Owner of a Lot or Condominium, any first Mortgagee, and each holder, insurer and guarantor of a first Mortgage on any Lot or Condominium, current copies of the Master Declaration, the Articles of Incorporation, Bylaws, Rules and Regulations and all other books, records and financial statements of the Maintenance Corporation. The Maintenance Corporation may impose a fee for providing such documents, but in no event shall the fee exceed the reasonable cost to reproduce the requested documents.

(p) Subsidy Agreement. The power but not the duty to negotiate and enter into subsidy agreements or other arrangements with Declarant and Participating Builders pursuant to which Declarant or such Participating Builders will subsidize a portion of the Common Assessments payable by the Members in exchange for the assumption by the Maintenance Corporation of the obligation to repair and maintain additional real property and improvements which it would not be able to so maintain absent such a subsidy. Any such subsidy agreements or other arrangements shall be first approved by the DRE and VA or FHA and shall have terms which are fair and equitable to the Members of the Maintenance Corporation.

Section 4.04. Management Agent. The Board may employ for the Maintenance Corporation a Manager at a compensation established by the Board to perform such duties and services as the Board shall authorize, which may include, without limitation, the duties listed in Section 4.03. Such agreement, and any contract providing for services by Declarant, must provide for termination by either party for cause upon no more than thirty (30) days written notice, and without cause nor payment

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of a termination fee, upon no more than ninety (90) days prior written notice.

Section 4.05. Election and Term of Office.

(a) At the first meeting of the Delegates, and thereafter at each annual meeting of the Delegates, new Directors shall be elected by secret written ballot by the Delegates as provided in these Bylaws, and all positions on the Board shall be filled at that election. If an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Delegates held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. Subject to Section 4.04(b)(iii) of the Declaration, commencing with the first annual meeting of the Delegates, the three (3) Directors receiving the highest number of votes shall each be elected for a term of three (3) years, and the two (2) Directors receiving the next highest number of votes shall each be elected for a term of two (2) years. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by resignations or expirations of the terms of past Directors. Following the first annual meeting, the term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be for two (2) years. The term of office of each Director elected to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be reelected, and there shall be no limitation on the number of terms during which he may serve. Until termination of the Class C membership, a vacancy in the office of a Director who was elected by the Class C Member shall be filled by the vote of the Class C Member. Each Delegate may cumulate his votes for any candidate for the Board if the candidate's name has been placed in nomination prior to the voting and if such Delegate, or any other Delegate, has given notice at the meeting prior to the voting of such Delegate's intention to cumulate votes. If a Delegate cumulates his votes, such Delegate may give one or more candidates for Director a number of votes equal to the Delegate's share of the voting power as set forth in the Master Declaration, multiplied by the number of Directors to be elected and each Delegate may divide his votes among the candidates as the Delegate deems appropriate (i.e., the Delegate may cumulate and cast all his votes for a single candidate or spread his votes among two (2) or more candidates).

(b) Notwithstanding the foregoing, whenever (i) notice is given for an election of Directors of the Board and (ii) upon such date Declarant and Participating Builders are entitled to exercise a majority of the voting power of the Maintenance Corporation, and (iii) upon such date

the Delegates representing Members other than Declarant and any Participating Builders do not have a sufficient percentage of the voting power of the Maintenance Corporation to elect a number of Directors representing at least twenty percent (20%) (though not less than one (1)) of the entire Board through the foregoing cumulative voting procedure, then such notice shall also provide for the following special election procedure. Election of Directors shall be first apportioned to Members other than Declarant and any Participating Builders until the aggregate number of Directors on the Board elected by Delegates casting votes attributable to Members other than Declarant and any Participating Builders represents at least twenty percent (20%) (though not less than one (1)) of the entire Board (e.g., the Delegates shall insure that at least one (1) Director is an Owner not connected directly or indirectly with Declarant or any Participating Builder ("nonaffiliated Owner") for so long as a majority of the voting power of the Maintenance Corporation is attributable to Lots or Condominiums owned by Declarant and Participating Builders). Any nonaffiliated Owner shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Delegates representing Members other than the Declarant and Participating Builders determine otherwise. The nonaffiliated Owner(s) receiving the greatest number of votes cast by the Delegates representing Members other than Declarant or any Participating Builders shall be elected to the Board in a co-equal capacity with all other Directors. The remaining Members on the Board shall be elected through the customary cumulative voting procedure outlined above.

Section 4.06. Books, Audit. The following financial information shall be prepared and distributed by the Board to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Maintenance Corporation:

(a) A budget for each fiscal year consisting of at least the following information shall be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the fiscal year:

(i) The estimated revenue and Common Expenses of the Maintenance Corporation computed on an accrual basis and allocated among the various Maintenance Funds as specified in the Master Declaration.

(ii) The amount of the total cash reserves of the Maintenance Corporation currently available for replacement or major repair of the Corporation Property and for contingencies.

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(iii) An itemized estimate of the remaining life of, and the methods of funding to defray repair and replacement of, or additions to, major components of the Corporation Property and facilities for which the Maintenance Corporation is responsible.

(iv) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Corporation Property and facilities for which the Maintenance Corporation is responsible.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of the first Close of Escrow for the sale of a Lot or Condominium in the Properties and an operating statement for the period from the date of the first Close of Escrow to the said accounting date, shall be distributed within sixty (60) days after the accounting date. Such operating statement shall include a schedule of assessments received and receivable identified by the number of the Lot or Condominium and the name of the Owner assessed.

(c) A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year.

(i) A balance sheet as of the end of the fiscal year.

(ii) An operating (income) statement for the fiscal year.

(iii) A statement of changes in financial position for the fiscal year.

(iv) Any information required to be reported under Section 8322 of the California Corporations Code.

(v) For any fiscal year in which the gross income to the Maintenance Corporation exceeds Seventy-Five Thousand Dollars (\$75,000.00), a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(vi) A statement of the place where the names and addresses of the current Members are located.

If the report referred to above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Maintenance Corporation stating that the statement was prepared from the books and

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records of the Maintenance Corporation without independent audit or review.

In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Maintenance Corporation's policies and practices in enforcing its remedies against Members for defaults in the payment of Common, Capital Improvement, Reconstruction and Special Assessments, including the Recording and foreclosing of liens against Members' Lots and Condominiums.

All books, records and papers of the Maintenance Corporation shall be made available for inspection by any Member, prospective purchaser of a Lot or Condominium, and any holder, insurer or guarantor of any first Mortgage or their duly appointed representatives at the principal place of business of the Maintenance Corporation or at such other place within the Properties as the Board may prescribe. The Board shall establish reasonable rules with respect to (i) notice to be given to the custodian of the records by the persons desiring to make the inspection, (ii) hours and days of the week when such inspection may be made and (iii) payment of the cost of reproducing copies of requested documents. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Maintenance Corporation, and the physical properties owned or controlled by the Maintenance Corporation. The right of inspection by a Director shall include the right to make extracts and copies of documents.

The Board shall review, on at least a quarterly basis, the following: (1) a current reconciliation of the Maintenance Corporation's operating accounts and reserve accounts; (2) the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, and (3) the income and expense statement for the Maintenance Corporation's operating and reserve accounts. The Board shall also regularly review the latest account statements prepared by the financial institutions where the Maintenance Corporation has kept its operating and reserve accounts. The signatures of at least two (2) Persons who shall be members of the Board shall be required for the withdrawal of money from the Maintenance Corporation's reserve accounts. As used in this paragraph, the term "reserve accounts" means monies that the Board has identified from its Budget for use to defray the future repair and replacement of, or additions to, those major components which the Maintenance Corporation is obligated to maintain.

Section 4.07. Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Delegates of the Maintenance Corporation shall be filled by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Delegates of the Maintenance Corporation, or at a special meeting of the Delegates called for that purpose. A vacancy shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Delegates fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Delegates at a special meeting of the Delegates called for such purpose.

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Section 4.08. Removal of Directors. At any regular or special meeting of the Delegates duly called, any individual Directors or the entire Board may be removed prior to the expiration of their terms of office with or without cause as follows: (a) for so long as fewer than fifty (50) Lots and Condominiums are included within the Properties, by the vote of Delegates representing a majority of the total voting power of the Maintenance Corporation (including votes attributable to Declarant and Participating Builders), and (b) once fifty (50) or more Lots and Condominiums are included within the Properties, by the vote of Delegates representing a majority of a quorum of the Delegates. Notwithstanding the foregoing, if the entire Board is not removed as a group pursuant to a single vote, no individual Director shall be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed by the Delegates shall be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting. Notwithstanding the foregoing, any Director who has been elected to office solely by the votes of Delegates representing Members other than Declarant or Participating Builders pursuant to Section 4.05(b) may be removed from office prior to the expiration of his term of office only by the vote of Delegates representing a simple majority of the voting power residing in Members other than Declarant and any Participating Builders; and, in the event of such removal, such Director's successor shall be elected in the same manner as such Director, pursuant to the provisions of Section 4.05(b).

Section 4.09. Organization Meeting. The first regular ("organization") meeting of a newly elected Board shall be held at such time and place as shall be determined by the newly constituted Board, for the purpose of organization, election of officers and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting; provided that (a) a majority of the whole Board shall be present when the time and place are announced at the Membership meeting, and (b) the organization meeting is held on the same day and at the same place as the meeting of Delegates at which the newly constituted Board was elected.

Section 4.10. Regular Meetings. Regular meetings of the Board shall be open to the Members, to the extent of the permissible capacity of the meeting room, and may be held at such time and place within the Properties (or as proximate thereto as possible) as shall be determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors provided, however, that such meetings shall be held no less frequently than quarterly. Notice of the time and place 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 date named for such meeting, and shall be posted at a prominent place or places within the Corporation Property. If served by mail, each such notice (including notices of special meetings) shall be sent, postage prepaid, to the address reflected on the records of the Maintenance Corporation, and shall be deemed given, if not actually received earlier, at 5:00 o'clock P.M. on the second calendar day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director has been absent from any regular (or special) meeting of the Board, an entry in the

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minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein. Members in attendance who are not Directors may not participate in any deliberation or discussion, unless expressly so authorized by the vote of a majority of a quorum of the Directors.

Section 4.11. Special Meetings of Board. Special meetings of the Board shall be open to all Members, to the extent of the permissible capacity of the meeting room; provided that Members who are not Directors may not participate in any deliberations or discussions at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board. Special meetings may be called by the President (or, if he is absent or refuses to act, by the Vice President) or by any two (2) Directors. At least four (4) days notice shall be given to each Director, personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and the purpose of the meeting, and shall be posted at a prominent place or places within the Corporation Property.

Section 4.12. Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of personal notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, 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) a quorum be present, (b) notice to the Members of such meeting was posted as provided in Section 4.10, and (c) either before or after the meeting, each of the Directors not present signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Maintenance Corporation or made a part of the minutes of the meeting.

Section 4.13. Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors 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. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at the meeting. An explanation of any action taken by unanimous written consent without a meeting or by conference call shall be posted by the Board in a prominent place or places on the Corporation Property within three (3) days after the conference call meeting written consents of all Directors have been obtained.

Section 4.14. Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board

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there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Maintenance Corporation 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 session shall first be announced in open session.

Section 4.15. Fidelity Bonds. The Board may require that all officers and employees and the Manager of the Maintenance Corporation handling or responsible for Maintenance Corporation funds shall furnish adequate fidelity bonds as further provided in the Master Declaration. The premiums on such bonds shall be paid by the Maintenance Corporation.

Section 4.16. Committees. The Board, by resolution, may from time to time designate such committees as it shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board. The provisions of this Section 4.16 shall not apply to the Architectural Committee created pursuant to Article VIII of the Master Declaration.

ARTICLE V

OFFICERS

Section 5.01. Designation. The principal officers of the Maintenance Corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected or appointed by the Board. The Board may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary. Officers other than the President need not be Directors. One Person may hold more than one office.

Section 5.02. Election of Officers. The officers of the Maintenance Corporation shall be elected annually by the Board at the organization meeting of each new Board, and each officer shall hold his office at the pleasure of the Board, until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified to serve.

Section 5.03. Removal of Officers. Upon an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Maintenance Corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in such notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

Section 5.04. Compensation. Officers, agents, and employees shall receive such reasonable compensation for their

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services as may be authorized or ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Maintenance Corporation's business unless such compensation is first approved by the vote of Delegates representing at least a majority of the voting power of the Maintenance Corporation; and provided, further, that (a) nothing herein contained shall be construed to preclude any officer from serving the Maintenance Corporation in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for his actual expenses incurred in the performance of such officer's duties. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or a Participating Builder or any affiliate of Declarant or a Participating Builder may receive any compensation.

Section 5.05. President. The President shall be the chief executive officer of the Maintenance Corporation. He shall preside at all meetings of the Maintenance Corporation and of the Board. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Section 4.16, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Maintenance Corporation. The President shall, subject to the control of the Board, have general supervision, direction and control of the business of the Maintenance Corporation. The President shall sign all leases, mortgages, deeds and other instruments, and shall co-sign all checks and promissory notes.

Section 5.06. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent, disabled or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board or these Bylaws.

Section 5.07. Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Maintenance Corporation at the principal office of the Maintenance Corporation or at such other place as the Board may order. The Secretary shall keep the seal of the Maintenance Corporation in safe custody and shall have charge of such books and papers as the Board may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Maintenance Corporation and of the Board required by these Bylaws or by law to be given. The Secretary shall perform such other duties as may be prescribed by the Board or these Bylaws.

Section 5.08. Treasurer. The Treasurer shall be the chief financial officer of the Maintenance Corporation and shall have responsibility for Maintenance Corporation funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts of the properties, tax records and business transactions of the Maintenance Corporation, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Maintenance Corporation. The Treasurer shall be responsible for the deposit of all monies

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and other valuable effects in the name, and to the credit, of the Maintenance Corporation in such depositories as may from time to time be designated by the Board. The Treasurer shall disburse the funds of the Maintenance Corporation as may be ordered by the Board, shall sign all checks and promissory notes of the Maintenance Corporation, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial conditions of the Maintenance Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VI

OBLIGATIONS OF MEMBERS

Section 6.01. Assessments.

(a) All Members are obligated to pay, in accordance with the provisions of the Master Declaration, all assessments imposed by the Maintenance Corporation, to meet all expenses of the Maintenance Corporation.

(b) All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the Master Declaration.

Section 6.02. Maintenance and Repair.

(a) Every Member must perform promptly, at his sole cost and expense, all maintenance and repair work on his Lot or within his Condominium, as required under the provisions of the Master Declaration and any applicable Additional Declaration. As further provided in the Master Declaration, all plans for alterations and repair of Improvements on the Properties must receive the prior written consent of the Architectural Committee. The Architectural Committee shall establish reasonable procedures for the granting of such approval, in accordance with the Master Declaration.

(b) As further provided in the Master Declaration, each Member shall reimburse the Maintenance Corporation for any expenditures incurred in repairing or replacing any portion of the Corporation Property or other Maintenance Corporation properties owned or controlled by the Maintenance Corporation, which are damaged through such Member's willful misconduct or negligence. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these Bylaws or the Master Declaration.

ARTICLE VII

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Maintenance Corporation by the vote of Delegates representing at least fifty-one percent (51%) of the voting power of the Maintenance Corporation; provided that the specified percentage of the Delegates necessary to amend a specific Section or provision of these

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Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision; and provided, further, that these Bylaws may be amended by a majority of the entire Board, at any time prior to the first Close of Escrow for the sale of a Lot or Condominium to a purchaser from Declarant or a Participating Builder pursuant to a transaction requiring the issuance of a final subdivision public report by the DRE. If Declarant or a Participating Builder has obtained VA or FHA approval for a Condominium Project or Planned Development, then so long as Declarant and any Participating Builders have effective voting control of the Maintenance Corporation, any amendment to these Bylaws shall require the prior approval of the FHA and VA. A draft of the proposed amendment shall be submitted to FHA and VA for approval prior to its approval by the Membership of the Maintenance Corporation. Article II, Sections 3.01, 4.01, 4.02, 4.03, 4.04, 4.05(a), and Article VII of these Bylaws may not be amended without the written consent of Declarant until the later to occur of (i) the expiration of Declarant's right to add Annexable Area to the Properties without the vote of the Delegates pursuant to Article II of the Master Declaration, or (ii) the date on which neither Declarant nor Participating Builders own a Lot or Condominium in the Properties. The prior written approval of holders of seventy-five percent (75%) of all first Mortgages on Lots and Condominiums in the Properties must be secured before any material amendment to these Bylaws affecting matters delineated in Sections 9.02, 9.03, 12.02(c) or 12.03 of the Master Declaration may take effect, and this sentence may not be amended without such prior written approval. Notwithstanding the foregoing, if a first Mortgagee who receives a written request from the Board to approve a proposed amendment or amendments to the Bylaws does not deliver a negative response to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved the proposed amendment or amendments.

ARTICLE VIII

MORTGAGEES

Section 8.01. Notice to Maintenance Corporation. Upon request, every Member who mortgages his Lot or Condominium shall notify the Maintenance Corporation through its Manager, or through the Secretary if there is no Manager, of the name and address of his Mortgagee; and the Maintenance Corporation shall maintain such information. Upon request, Members shall likewise notify the Maintenance Corporation as to the release or discharge of any such Mortgage.

Section 8.02. Notice of Unpaid Assessments. The Board of the Maintenance Corporation shall at the request of a Mortgagee of a Lot or Condominium report any unpaid assessments due from the Owner of such Lot or Condominium in accordance with the provisions of the Master Declaration.

ARTICLE IX

CONFLICTING PROVISIONS

In case any of these Bylaws conflict with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other Bylaws shall remain in full force and effect. In case of any conflict between the Articles and these

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Bylaws, the Articles shall control; and in the case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

ARTICLE X

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Board may authorize the Maintenance Corporation to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, any present or former Director, officer, committee member, employee or agent of the Maintenance Corporation to the extent and under the circumstances provided in the Master Declaration.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Checks, Drafts and Documents. All checks, drafts or other orders for payments of money, notes or other evidences of indebtedness, issued in the name of or payable to the Maintenance Corporation, shall be signed or endorsed by the President and Treasurer of the Maintenance Corporation, or by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 11.02. Execution of Documents. The Board may authorize any officer or agent to enter into any contract or execute any instrument in the name and on behalf of the Maintenance Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Maintenance Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 11.03. Inspection of Bylaws. The Maintenance Corporation shall keep in its office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Delegates and the Members and all holders, insurers and guarantors of first Mortgages at all reasonable times during regular office hours.

Section 11.04. Fiscal Year. The fiscal year of the Maintenance Corporation shall be determined by the Board, and having been so determined, is subject to change from time to time as the Board shall determine.

Section 11.05. Membership Register. The Maintenance Corporation shall keep and maintain in its office for the transaction of business (or the office of the Manager) a membership register containing the name and address of each Member. Termination or transfer of any membership shall be recorded in the register, together with the date on which the membership ceased or was transferred, in accordance with the provisions of the Master Declaration.

ARTICLE XII

NOTICE AND HEARING PROCEDURE

Section 12.01. Suspension of Privileges. In the event of an alleged violation of the Master Declaration, these Bylaws or the Rules and Regulations of the Maintenance

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Corporation, and after written notice of such alleged failure is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to be in default in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board shall have the right, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, to take any one or more of the following actions: (a) levy a Special Assessment as provided in the Master Declaration; (b) suspend or condition the right of such Member to use any recreational facilities owned, operated or maintained by the Maintenance Corporation; (c) suspend such Member's voting privileges as a Member, as further provided in the Master Declaration; (d) Record a notice of non-compliance encumbering the Lot or Condominium of the respondent or (e) enter upon the Lot or Common Area of the respondent to correct the violation of the Restrictions as further provided in the Master Declaration. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. Suspension of membership privileges shall not relieve the Member's obligation to pay all assessments duly issued by the Maintenance Corporation or to otherwise comply with the Restrictions. The failure of the Board to enforce the Rules and Regulations of the Maintenance Corporation, these Bylaws or the Master Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Maintenance Corporation prescribed by these Bylaws, or by the Rules and Regulations of the Maintenance Corporation, before that Member may resort to a court of law for relief with respect to any alleged violation of the Master Declaration, these Bylaws or the Rules and Regulations of the Maintenance Corporation by another Member, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments, Special Assessments, Capital Improvement Assessments or Reconstruction Assessments. X

Section 12.02. Written Complaint. A hearing to determine whether a right or privilege of the respondent under the Master Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any officer or member of the Board with the President of the Maintenance Corporation or other presiding member of the Board. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged, and a reference to the specific provisions of the Master Declaration, these Bylaws or the Rules and Regulations of the Maintenance Corporation which the respondent is alleged to have violated. A copy of the Complaint shall be delivered to the respondent in accordance with the notice procedures set forth in the Master Declaration, together with a statement which shall be substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint, the

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Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering (as evidenced by a dated receipt signed by the Maintenance Corporation's agent) or mailing (by certified mail, return receipt requested) the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address: _____

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact _____

The respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

Section 12.03. Notice of Hearing. The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the respondent. The hearing shall be held no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.02 of this Article XII. The notice to the respondent shall be in substantially the following form but may include other information:

"You are hereby notified that a hearing will be held before the Board of Directors of the Lake Hills Maintenance Corporation at _____

_____ on the _____ day of _____, 19____, at the hour of _____, upon the charges made in the Complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request (at least two (2) business days prior to the hearing date) the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Maintenance Corporation."

Section 12.04. Hearing. The hearing shall be held before the Board in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director who mailed or delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. No action against the Member arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15)

days after the Member's receipt of the notice of hearing, and
(b) five (5) days after the hearing required herein.

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