

PART III
BYLAWS*

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* **Editor's note**--The Bylaws of the Association were originally adopted on June 14, 1976. The dates of any subsequent revisions to a section are listed in a parenthetical history note following the affected provisions. The text has been printed without editorial change.

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ARTICLE I. DEFINITIONS

All terms as used in these Bylaws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions recorded on June 9, 1976, in Book 11766, Page 420, of Official Records of Orange County, California, and any amendments thereto. (Said Declaration and amendments thereto shall hereinafter be referred to as the "Declaration.") All of the terms and provisions of the Declaration are hereby incorporated herein by reference.

ARTICLE II. OFFICE

Principal Office: The principal office for the transaction of the business of the Association is hereby fixed and located at 31 Creek Road, Irvine, CA 92714-4799 within the Covered Property or as close as practicable thereto, in the County of Orange, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said Orange County.

(Revised 9-4-85)

ARTICLE III. MEMBERS

Section 1. Membership.

Every person or entity who is an Owner shall be a Member as provided in the Declaration. The provisions of these Bylaws, which are binding upon all Members, are not exclusive, as members shall also be subject to the terms and provisions of the Articles, the Declaration and the Association Rules.

Section 2. Termination of Membership.

Membership in the Association shall automatically terminate when such Member sells and transfers his lot.

Section 3. Voting Rights.

The Association shall have the classes of voting membership set forth in the Declaration.

Section 4. Membership Certificates.

In its discretion, the Board may, but need not, issue appropriate membership certificates evidencing membership in the Association.

Section 5. Plural Memberships.

A Member may own more than one membership in this Association by complying, as to more than one (1) Lot, with the qualifications of membership as set forth in the Section of this Article entitled "Membership."

Section 6. Assessments.

The Members shall be jointly, severally and personally liable for the payment of such Assessments as may from time to time be fixed and levied by the Board or Lake Committee pursuant to the provisions of the Declaration and these Bylaws.

Section 7. Enforcement of Payment of Assessments.

Should any Member fail to pay his Assessments before delinquency, the Association, in the discretion of the Board, or the Lake Committee in the case of Lake Assessments shall have the right to enforce payment of such delinquent Assessments pursuant to the Declaration.

Section 8. Association Rules; Enforcement.

The following provisions shall govern the promulgation of the Association Rules which shall include the establishment of a system of fines and penalties:

- (a) The Board in its discretion shall adopt rules and regulations as are consistent with and in furtherance of existing law, the Declaration of Covenants, Conditions and Restrictions, the Articles and these Bylaws.

(Revised 4-3-89)

- (b) The Board in its discretion shall adopt a list of specific fines and penalties, not to exceed Twenty-Five Dollars (\$25.00) for any first time offense, and not to exceed One Hundred Fifty Dollars (\$150.00) for any repeat offenses for any violation by any Member of the provisions of the Declaration of Covenants, Conditions and Restrictions, the Articles, these Bylaws and the Association Rules. Such fines and penalties shall be binding on all Members and shall be enforceable by the Board as a Special Assessment. Such a remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, the Declaration of Covenants, Conditions and Restrictions, the Articles, the Bylaws and the Association Rules.

(Revised 1-31-82, 4-3-89)

- (c) Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:

- (1) A written statement of the alleged violations shall be provided to any Member against whom such charges are made and such written statement shall provide a date on which the charges shall be heard;
- (2) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least ten (10) days prior to that hearing; (Revised 4-11-01)
- (3) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges;
- (4) The Board shall appoint a panel of a minimum of three (3) capable persons (one of whom shall be designated a chairperson) who shall be Members and who shall hear the charges and evaluate the evidence of the alleged violation;

(Revised 3-20-85)

- (5) At such hearing the Member so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;
- (6) The panel shall deliver by first class mail to the Member so charged within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor. (Revised 9-4-85)

ARTICLE IV. MEETINGS OF MEMBERS

Section 1. Place of Meeting.

All meetings of Members shall be held at the principal office of the Association, or at such other place in the County of Orange as may be fixed from time to time by resolution of the Board.

Section 2. Annual Meeting.

The first annual meeting of the Members shall be held in Orange County within thirty (30) days after fifty-one percent (51%) of the Lots have been sold, or within six (6) months after the sale of the first Lot, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same month of each year thereafter, at the hour of 8:00 p.m. in Orange County, provided, however, that the Board by resolution may fix a date for the meeting no more than thirty (30) days before or after said date. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3. Special Meetings.

Special meetings of the Members for any purpose shall be called by the board upon the vote by a majority of a quorum of the Members of the Board or upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association. Upon request in writing to the Chairman of the Board, President, Vice President or Secretary by any person (other than the Board) entitled to call a special meeting of the Members, the officer forthwith shall cause notice to be given to the Members entitled to vote that a meeting will be held at a time fixed by the Board not less than thirty-five (35) days nor more than ninety (90) days after the receipt of the request. (Revised 3-25-81)

Section 4. Notices of Meetings.

Written notice of annual or special meetings shall be given to each Member entitled to vote, either personally or by sending a copy of the notice by mail, postage prepaid, to his address appearing on the books of the Association, or supplied by him to the Association for the purpose of notice. All such notices shall be sent to each Member entitled thereto not less than fifteen (15) days nor more than sixty (60) days before each meeting, and shall specify the place, the date and the time of such meeting, and: (1) in the case of a special meeting, the

general nature of the business to be transacted; or (2) in the case of the regular meeting, those matters which the Board, at the time the notice is given (per Article V, Section 9), intends to present for action by the Members.

(Revised 3-25-81)

When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjournment meeting, other than by announcement thereof at the meeting at which such adjournment is taken.

(Revised 3-25-81)

Section 5. Quorum.

The presence at the meeting of Members or proxies or any combination thereof, entitled to cast fifty percent (50%) of the voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than seventy-two (72) hours, nor more than thirty (30) days from the time the original meeting was called. If the time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings. At the subsequent meeting, the presence of members, either in person or by proxy, or any combination thereof, entitled to cast one-third (1/3) of the voting power shall constitute a quorum.

(Revised 9-4-85)

Section 6. Approval of the Members.

Except where a greater portion of the voting power is required by the Articles, the Declaration, or these Bylaws, a majority of the votes represented, in person or by proxy, and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) shall constitute approval of the Members and prevail at all meetings. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the voting power required to constitute a quorum.

Any action which may be taken by the vote of the Members at a regular or special meeting, except the election of directors, may be taken without a meeting if done in compliance with the following provisions:

- (a) The Association must distribute a written ballot to every Member entitled to vote on the matter which shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide the time within which to return the ballot to the Association, which shall be not less than fifteen (15) days from the date that the written ballot is distributed to the Members;

- (b) Approval by written ballot pursuant to this Section shall be valid only when the number of votes cast by ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve such action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot;
- (c) Ballots shall be solicited in a manner consistent with the requirements of Section 4 above (Notices of Meetings). All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted;
- (d) A written ballot may not be revoked, unless done so in person by the Member casting the vote, or in writing by that Member. (Revised 9-4-85)

Section 7. Proxies.

Every Member entitled to vote or execute consents (as designated in the "Voters Section" of the Membership Agreement executed and on file with the Association) shall have the right to do so either in person, or by an agent or agents authorized by a written proxy executed by such Member or his duly authorized agent and filed with the Secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution; provided further that proxies must be filed with the Secretary of the Corporation or his designated agent at least seventy-two (72) hours prior to the date and time set for the Annual Meeting. Any proxies submitted after that deadline shall not be valid unless a quorum is not present at the Annual Meeting and the meeting is continued. For that continued meeting, proxies must be filed at least seventy-two (72) hours prior to the date and time set therefor. Notwithstanding the above, a member who has already filed his proxy may revoke it at the time of the actual meeting by doing so in person, providing the person revoking the proxy is the same person who had signed the proxy originally. (Revised 9-4-85)

Section 8. Action Without Meeting.

Any action which, under any provision of the Articles, these Bylaws, or the General Nonprofit corporation Law of the State of California, may be taken at a meeting of Members, may be taken without a meeting if authorized by a writing signed by Members entitled to exercise the percentage of the voting power of the corporation required for a particular matter and filed with the Secretary of the Association.

ARTICLE V. DIRECTORS

Section 1. Powers.

In addition to the powers and duties of the Board as set forth in the Declaration, the Articles or elsewhere in these Bylaws, and subject to limitations of the Articles, the Declara-

tion, or these Bylaws and of the California Corporations Code as to action to be authorized or approved by the Members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by, the Board. Without prejudice to such general powers but subject to the same limitations, the Directors are vested with and shall have the following powers; to wit:

- (a) To select, appoint, and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, the Declaration and/or these Bylaws, to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.
- (b) To conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefore consistent with law, with the Articles, the Declaration and/or these Bylaws, as the Board may deem necessary or advisable.
- (c) To adopt and use a corporate seal.
- (d) To fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes for this Association to which the assets of this Association shall be distributed upon liquidation or dissolution according to the Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association and after distribution of all property held or acquired by the Association under the terms of a specific trust or trusts.

Section 2. Number and Qualification of Directors.

The Board shall consist of the number of Directors named in the Articles until changed by amendment of the Articles, or by an amendment to this Section of these Bylaws, fixing or changing such number, adopted by the vote or written assent of Members entitled to exercise a majority of the voting power; but in no event shall there be less than seven (7) Directors. A person must be a member, or the duly designated representative of a Corporation member to serve as a Director, and in addition, must be a member, or a duly designated representative of a Corporation member, at the deadline date set by the Association for declaring their candidacy for election as a Director.

(Revised 3-20-85, 4-1-98)

Section 3. Election Committee and Nomination of Directors.

As provided in the Declaration, an Election Committee shall be appointed annually by the Board to make rules for and supervise nominations, voting procedures, voting requirements and the orderly and fair election of Directors. The Election Committee shall consist of a Chairperson, who shall not be a candidate for the Board, and not less than two (2) or more persons who shall be Members; provided, however, as long as any Class B membership are outstanding, the board may appoint persons who are not Members to the Election Committee. Prior to any meeting of the Members at which Directors shall be elected, the Election Committee, under reasonable procedures adopted by it, shall collect nominations for the Directors to be elected at such meeting.

Without limiting the generality of the foregoing, the Election Committee may refuse to accept any person as a candidate unless a specified number of Members, not to exceed fifty (50), have signed a petition endorsing such person's candidacy. Also without limiting the generality of the foregoing, if Directors are to be chosen on the basis of residency in the North Lake Area or South Lake Area, as hereinafter provided, the Election Committee shall take steps to ensure that there are nominated persons residing in each such Area at least sufficient to elect the number of Directors to be elected at such meeting from among persons residing in such Area. The notice of the meeting of Members at which Directors are to be elected shall include a ballot in a form adopted by the Election Committee indicating the candidates that have been accepted for nomination by the Election Committee.

Nominations for the Board shall be closed not less than 50 nor more than 120 days before the day Directors are to be elected, with the exact date set each year by resolution of the Board of Directors. No nominations for the Board can be made after the date set for the close of nominations. (Revised 9-4-85)

Section 4. Election and Term of Office.

(a) Until the holding of the organizational meeting of the Members referred to in the Section of these Bylaws entitled "Annual Meetings" under the Article entitled "Meetings of Members," the Board shall consist of those Directors who constituted the incorporators of this Association. The Directors shall be elected on a staggered term basis as follows: At the first annual election subsequent to the effective date of this Amendment seven (7) Directors shall be elected: three (3) Directors from the North Lake Area, three (3) Directors from the South Lake Area, and one (1) Director at large. The terms of office of those seven (7) Directors shall be as follows: The two (2) Directors receiving the greatest number of votes from the North Lake Area shall be elected to two (2) year terms, and the two (2) Directors receiving the greatest number of votes from the South Lake Area shall be elected to two (2) year terms. The Director receiving the next greatest number of votes from the North Lake Area shall be elected to a one (1) year term, and the Director receiving the next greatest number of votes from the South Lake Area shall be elected to a one (1) year term. The Director receiving the next greatest number of votes regardless of the area shall be elected to a one (1) year term as the At-Large Director.

At each subsequent election, the term for each Director elected shall be for two (2) years, and the number of Directors elected shall either be four (4) or three (3) to preserve the staggered terms for Directors as stated above, and any vacancy filled as described in the Bylaws shall only be for the term remaining for that prior Director's position. (Revised 1-19-83)

(b) For the purposes of the foregoing section, if a corporation owns a Lot in either the North Lake Area or the South Lake Area, its representative, whether an employee of such corporation or not, shall satisfy the foregoing requirements of ownership in the North Lake Area or the South Lake Area, as the case may be. Further, where the name of the representative of that Corporation appears in any and all written election ballots, proxies and other materials distributed by the Association in an Election of Directors, the name of the Corporation shall also appear with that representative's name identifying such Corporation and the representative's capacity. (Revised 9-4-85, 2-4-98)

(c) Notwithstanding the above provisions concerning the term of Directors, the term of any Director shall be limited to that period of time during which he or she meets the qualifications of ownership. Upon a Director who was qualified upon assuming the office, ceasing to have those qualifications, his or her term shall automatically be deemed terminated and a successor shall be selected according to these Bylaws for the term which otherwise would have been remaining for that prior Director's position; provided, however, a Director shall still be deemed to meet the qualifications of office for the remainder of the regular term if he or she met those qualifications at the time of his or her selection, but subsequently changes his or her ownership and membership from a North Lake Area Lot to a South Lake Area Lot, or vice versa.

(Revised 2-6-85)

(d) Every Member entitled to vote for any election of Directors shall have the right to cumulate his votes and give one candidate a number of votes equal to the number of Directors to be elected, multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit.

(e) In the event the Class A Members do not have sufficient voting power to elect at least one (1) Director by cumulating their votes at any meeting of the Members at which Directors are to be elected, the Class A Members shall be entitled to elect one (1) Director as set forth in the Declaration.

Section 5. Removal of Directors.

At any special meeting of the Members of which notice has been properly given as provided in these Bylaws, the entire Board or any individual Director may be removed from office as hereinafter set forth, provided that the same notice of said special meeting has also been given to said entire or any individual Director whose removal is to be considered at said special meeting. The entire Board or any individual Director may be removed from office by a majority of the affirmative votes cast in the voting on any motion or resolution for removal. However, unless the entire Board is removed, an individual Director shall not be removed if the number of votes against the motion or resolution for his removal exceeds the quotient arrived at when the total number of outstanding shares entitled to vote is divided by one plus the authorized number of Directors. Upon any such motion or resolution for removal, every Member may cumulate his vote or votes, as the case may be, in the same manner as provided for the election of Directors in these Bylaws. In the event that any or all Directors are so removed, new Directors may be elected at the same meeting.

Section 6. Vacancies.

Vacancies on the Board may be filled by a majority of the remaining Directors, though less than a quorum, and each Director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director. In the event of a vacancy due to the death, resignation or removal of a Director elected to a position on the Board which must be filled by an Owner in either the North Lake Area or the South Lake Area, said vacancy must be

filled by an Owner from the appropriate Area. If the Members shall increase the authorized number of Directors but shall fail to elect the additional Directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized Directors, a vacancy or vacancies shall be deemed to exist.

The Members may at any time elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of Directors.

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

Section 7. Place of Meetings.

All meetings of the Board shall be held at the principal office of the Association, or at any other place or places within the County of Orange designated at any time by resolution of the Board.

Section 8. Organization Meeting.

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

Section 9. Other Regular Meetings.

Other regular meetings of the Board may be held without call at such place and day and hour as may be fixed from time to time by resolution of the Board provided, should said day fall upon a legal holiday, then the meeting which otherwise would be held on said day shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such regular meetings of the Board is hereby dispensed with.

Section 10. Special Meetings Notice.

Special meetings of the Board may be called at any time by the President or if he is unable or refuses to act, by any Vice President, or by any two (2) Directors. Written notice of the time and place of special meetings shall be given at least four (4) days prior to the meeting date if by first-class mail or forty-eight (48) hours' notice if delivered personally or by telephone or telegraph prior to the holding of the meeting.

(Revised 3-25-81)

Section 11. Notice of Adjournment.

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

Section 12. Waiver of Notice.

The transaction of any business at 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 quorum be present, and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 13. Quorum.

A majority of the number of Directors as fixed by the Articles or these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all Members participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

(Revised 3-25-81)

Section 14. Adjournment.

A quorum of the Directors may adjourn any Board meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 15. Consent of Board Obviating Necessity of Meeting.

Notwithstanding anything to the contrary contained in these Bylaws, any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

Section 16. Fees and Compensations.

No Director or officer shall receive any salary for his services as such officer or Director. Nothing herein contained shall be construed to preclude any Director or officer from serving the Association as agent, counsel, or any capacity other than as such Director or officer, and receiving compensation therefore.

Section 17. Presiding Officer.

The members of the Board shall elect one of their number to act as Chairman. The Chairman shall preside at all meetings of the Board.

Section 18. Indemnification of Directors, Officers and Employees.

(a) For the purposes of this Section, "agent" means any person who is or was a Director, officer, employee or other agent of the Association, or is or was serving at the request of the Association as a Director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; "proceeding" means

threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, and "expenses" includes, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under paragraph (d) or sub-paragraph (e)(3) of this Section.

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

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

- (i) In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Association, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;
- (ii) Of amounts paid in settling or to otherwise disposing of a threatened or pending action, with or without court approval; or
- (iii) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

(d) To the extent that an agent of the Association has been successful on the merits in defense of any proceeding referred to in paragraph (b) or (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in paragraph (d), the indemnification under this Section shall be made by the Association only if authorized in the specific case, upon determination that

indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c), by:

- (i) A majority vote of a quorum consisting of Directors who are not parties to such proceeding;
- (ii) Approval of the Members. For purposes of determining the required quorum of any meeting of Members called to approve indemnification of an agent and the vote or written consent required therefor, the vote of any Member to be indemnified shall not be considered outstanding and shall not be entitled to be cast thereon; or
- (iii) The court in which such proceeding is or was pending, upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Association.

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

(g) This Section shall create a right of indemnification for each person referred to in this Section, whether or not the proceeding to which the indemnification related arose in whole or in part prior to adoption of the Section, and in the event of the death of such agent, whether before or after initiation of such proceeding, such right shall extend to such person's legal representatives. This Section does not apply to any proceeding against any trustee, investment manager or other fiduciary of any employee benefit plan in such person's capacity as such, even though such person may also be an agent of the Association as defined in paragraph (a). Nothing contained in this Section shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this Section. In addition, to the maximum extent permitted by applicable law, the right of indemnification hereby given shall not be exclusive of or otherwise affect any other rights such agent may have to indemnification, whether by law or under any contract, insurance policy or otherwise.

(h) No indemnification or advance shall be made under this Section, except as provided in paragraph (d) or subparagraph (e)(3), in any circumstance where it appears:

- (i) That it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Members or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- (ii) That it would be inconsistent with any condition expressly imposed by a Court in approving a settlement.

(i) Upon determination by the Board, the Association may purchase and maintain insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under the provisions of this Section.

(j) Upon the written request of any agent of the Association who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, the Board shall meet within ten (10) days of such request and shall determine whether indemnification of such agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c).

(Revised 3-25-81)

Section 19. Records.

The Board shall cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of Members or at any special meeting where such statement is requested in writing by one-fourth (1/4) of the voting power of the Members entitled to vote thereat.

Section 20. Board Acting as Lake Committee.

Until further amendments of these Bylaws, the seven-member Board of Directors of the Association shall be deemed to be the Lake Committee and the Board shall exercise all of the duties and powers of the Lake Committee as specified in Article 14, Lakes and Lagoons, of the Declaration.

(Revised 9-4-85)

ARTICLE VI. OFFICERS

Section 1. Officers.

The officers shall be President, Vice President, a Secretary and a Treasurer, which officers shall be elected by and hold office at the pleasure of the Board, for the period of time provided in the Declaration. The President and the Vice President shall be members of the Board. Any of the other officers may, but need not, be a member of the Board. Any two or more of such offices, except those of President and Secretary, may be held by the same person.

(Revised 9-4-85)

Section 2. Election.

The officers of the Association, except such officers as may be appointed in accordance with the Sections of this Article entitled "Subordinate Officers" or "Vacancies," and except for the Lake Vice President who shall be appointed by Declarant until the power to appoint the Lake Committee is transferred to the Board pursuant to the Declaration, shall be chosen annually by the Board and each shall hold his office until he shall resign or shall be removed or otherwise be disqualified to serve, or until his successor shall be elected and qualified.

Section 3. Subordinate Officers.

The Board may appoint such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4. Removal and Resignation.

Any officer may be removed, either with or without cause, by the vote of a majority of all the directors then in office at any regular or special meeting of the Board at which a quorum is present.

Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Association. Subject to the provisions of this Section, any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(Revised 9-4-85)

Section 5. Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6. President.

The President shall be the chief executive officer of the Association and shall, subject to the control of the Board and the provisions of the Declaration, have general supervision, direction and control of the business and officers of the Association. The President may, but need not, be the Chairman of the Board. He shall be an ex-officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 7. Vice President.

In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or the Bylaws.

Section 8. Lake Vice President.

The Lake Vice President shall be the Chairman of the Lake Committee as provided in the Declaration and shall have the powers and authority set forth in the Declaration.

Section 9. Secretary.

The Secretary (if the Executive Director of the Association as managing agent and a non-voting officer of the corporation) shall keep, or cause to be kept, a book of Minutes at the principal office or such other place as the Board may order, of all meetings of Directors and Members, with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the name of those present or represented at Members' meetings and the proceeding thereof.

(Revised 9-4-85)

The Secretary shall keep, or cause to be kept, at the principal office a membership register showing the following: (1) the names and addresses of all Members of the Board; (2) the names of the Members and their addresses; (3) the property to which each membership relates; (4) the number of memberships held by each Member; (5) the number of votes represented by each Member; (6) the number and date of membership certificates issued, if any; and (7) the number and date of cancellation of membership certificates, if any.

The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board required by the Bylaws or by law to be given, and he shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

Section 10. Treasurer.

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association. The books of account shall at all reasonable times be open to inspection by any Director or by any Member.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all his transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VII. MISCELLANEOUS

Section 1. Record Date and Closing Membership Register.

The Board may fix a time, in the future, not exceeding sixty (60) days preceding the date of any annual or special meeting of the Members, as a record date for the determination of the Members entitled to notice of and to vote at any such meeting, and in such case only Members of record on the date so fixed shall be entitled to notice and to vote at such meeting, notwithstanding any transfer or any membership on the books of the Association after any record date so fixed. In determining the Members of record on the said record date, the Board shall not be required to recognize any Member who has not executed and delivered a Membership Agreement on or before said date. For the purpose of determining such record

date, the Board may close the books of the Association against transfer of membership during the whole, or any such part, of any such period. (Revised 1-31-82)

Section 2. Inspection of Corporate Records.

The membership register, the books of account, and minutes of meetings of the Member and Board meetings shall be open to the inspection of the Directors and Members at reasonable times from time to time and in the manner provided in the Corporation Code of the State of California relating thereto.

Section 3. Checks, Drafts, etc.

All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such officer or officers and in such manner as, from time to time, shall be determined by resolution of the Board, provided the Lake Vice President shall have the power to expend funds collected as Lake Assessments as provided in the Declaration.

Section 4. Contracts, etc.; How Executed.

The Board, except as in these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association, 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 Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount, except that the Lake Vice President may execute contracts in the name of the Association as provided in the Declaration.

Section 5. Annual Report.

The Board shall cause a copy of an annual report to be available to each member pursuant to the provisions in Article VII, Section 7, and the Requirements of the California Corporations Code. (Revised 9-4-85)

Section 6. Inspection of Bylaws.

The Association shall keep in its principal office for the transaction of business the original or a copy of the Bylaws as amended, certified by the Secretary, which shall be open to inspection by all of the Members at all reasonable times.

Section 7. Accounting Reports.

The Board shall cause to be maintained in a manner consistent with generally accepted accounting principles, a full set of books and records showing the financial condition of the Association. At least once a year an independent, certified audit of such books and records shall be conducted. A copy of each such audit shall be made available, within one hundred twenty (120) days following the close of the Association's fiscal year for delivery, upon

request, to any Member of the Association. The Association shall notify each Member yearly of the right to receive an annual report of the Association. (Revised 3-25-81)

Section 8. Singular Includes Plural.

Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include the feminine.

Section 9. 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.

Section 10. Conflicts.

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

ARTICLE VIII. AMENDMENTS

Section 1. Powers of Members.

The Bylaws of this Association may be adopted, amended or repealed by the vote or written assent of Members entitled to exercise a majority of the voting power, or the vote of a majority of a quorum at a meeting of Members duly called for such purpose, provided the proposed amendment has been submitted to EACH MEMBER together with the advance notice of said meeting and provided further that as long as there is a Class B Membership, such amendment shall not be effective without the prior written approval of the Secretary of Housing and Urban Development or the Secretary's duly appointed representative.

Section 2. Powers of Director.

Subject to the right of the members to adopt, amend or repeal these Bylaws, as provided in the Section of this Article entitled "Powers of Members," at any special or regular meeting of the Board, the Board may adopt, amend or repeal any of these Bylaws, except that only by a vote of the Members, as provided in the Section of this Article entitled "Powers of Members," may the following Bylaws be amended or changed:

- (a) Under Article III, the Section entitled "Membership," "Transfer," "Termination of Membership," "Voting Rights," "Assessment," "Enforcement of Payment of Assessments," "Association Rules, Enforcement";
- (b) Under Article IV, the Sections entitled "Annual Meetings," "Special Meetings," "Notice of Meetings";

