

BY-LAWS
OF
NEWHOPE GARDENS HOMEOWNERS ASSOCIATION

ARTICLE I
DEFINITIONS

All terms as used in these By-Laws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions for Tract No. 10620 recorded in Book 13193, pages 777 ~~XXXXXXX~~ of Official Records of Orange County, California (the "Declaration") and any amendments thereto. All of the terms and provisions of the Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE II
PRINCIPAL OFFICE

Principal Office: The principal office for the transaction of the business of the Association is hereby fixed and located within 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.

ARTICLE III

MEMBERS

Section 1. Membership. Every person or entity who is an Owner of a Unit shall be a Member of the Association as provided in the Declaration. Membership shall be appurtenant to and may not be separated from ownership of any Unit which gives rise to such membership in the Association. Ownership of such a Unit or interest therein shall be the sole qualification for membership. Transfer of a Unit shall automatically transfer membership in the Association and all rights of the transferor with respect to the Common Area. The provisions of these By-Laws which are binding upon all Members, are not exclusive, and members shall also be subject to the terms and provisions of the Declaration, the Articles and Association Rules.

Section 2. Termination of Membership. Membership in the Association shall automatically terminate when such Member sells and transfers his Condominium.

Section 3. Voting Rights. The Association shall have the classes of voting membership as set forth in the Declaration.

Section 4. Plural Memberships. A Member may not own more than one membership in the Association but a Member shall have the votes for each Unit owned as set forth in the Declaration.

Section 5. 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 pursuant to the provisions of the Declaration. Should any Member fail to pay his Assessments before delinquency, the Association, at the discretion of the Board, shall have the right to enforce payment of such delinquent Assessments pursuant to the Declaration.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1. Place of Meetings. All meetings of Members shall be held at the Project or as close thereto as possible, or at such other place in the County of Orange as may be fixed from time to time by resolution of the Board. Unless unusual conditions exist, meetings of Members shall not be held outside of Orange County.

Section 2. Annual Meetings. The first annual meeting of the Members shall be held in Orange County, within thirty (30) days after fifty-one percent (51%) of the Units have been sold, or within six (6) months after the sale of the first Unit, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same month of each year thereafter, at such reasonable hour as may be established by the Board, 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. Control of the Project shall be turned over to the Association at the first annual meeting.

Section 3. Special Meetings. Special meetings of the Members shall be promptly called by the Board upon either (i) the

vote for such a meeting by a majority of a quorum of the Board or, (ii) the receipt of a written request therefor signed by Members representing not less than 25% of the total voting power of the Association or by Members representing not less than 15% of the voting power residing in Members other than the Declarant.

Section 4. Notice of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice through the first class 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 ten (10) days nor more than sixty (60) days before each meeting, and shall specify the place, the day and the hour of such meeting, and in case of special meetings, the general nature of the business to be transacted. 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 adjourned meeting, other than by announcement thereof at the meeting at which such adjournment is taken.

Section 5. Consent of Absentees. The transaction of any business at any meeting of Members, either annual or

special, however called and noticed, shall be as valid as though transacted at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy, and if either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or 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 6. Quorum. The presence at the meeting of Members entitled to cast, or of proxies 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 By-Laws. 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 five (5) days nor more than thirty (30) days from the time the original meeting was called. Except where a greater portion of the voting power is required by the Articles, the Declaration, or these By-Laws a majority of the voting power present, in person or by proxy, shall prevail at all meetings.

Section 7. Proxies. Every Member entitled to vote or execute consents 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.

Section 8. Action Without Meeting. Any action which, under any provision of the Articles, these By-Laws, 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
BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by a Board of three (3) directors, who need not be Members of the Association.

Section 2. Election. At the first annual meeting of the Association, the Members shall elect directors to fill all positions on the Board for a term of one (1) year; and at each annual meeting thereafter the Members shall elect directors for a term of one (1) year to succeed those directors whose terms have expired.

Section 3. Nomination of Directors. Nominations for the office of a Member of the Board of Directors shall be made by a Nominating Committee consisting of a chairman, who shall be a Member of the Board of Directors, and two (2) or more Members of the Association, all of whom shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may also be made by Members from the floor at the

annual meeting or such other meeting at which Members of the Board of Directors are to be elected. Such nominations may be made from among Members or non-Members.

Section 4. Election Procedures. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting is required in all elections for the Board of Directors. Notwithstanding anything to the contrary contained in these By-Laws, at least twenty percent (20%) of the Board but not less than one (1) Member shall be selected solely by the votes of Members other than the Declarant at any election so long as a majority of the voting power of the Association resides in the Declarant.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. However, unless the entire Board is removed, an individual director shall not be removed if the number of votes against the resolution for his removal exceeds the quotient arrived at when the total number of outstanding shares entitled to vote is divided by one (1) plus the authorized number of directors. Provided, however, that any Member of the Board of Directors who has been elected to office solely by the votes of Members of the Association other

than the Declarant pursuant to Section 4 of this Article, may be removed from office prior to the expiration of his term of office only by the vote of a simple majority of the voting power residing in Members other than the Declarant. In the event of death, resignation or removal of a Director, his successor shall be elected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor; provided, however, in the event of death, resignation or removal of a director elected solely by the Members other than Declarant pursuant to Section 4 of this Article, such director may be replaced solely by Members other than Declarant under the same procedure.

Section 6. Vacancies. Vacancies on the Board may be filled by a vote of 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. 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 By-Laws 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. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice to the individual members of the Board, at such place and hour within the Property as may be fixed from time to time by resolution of the Board. However, such meetings may be conducted as infrequently as every six (6) months if the business to be transacted by the Board of Directors does not justify more frequent meetings. Notice of time and place of each meeting shall be posted at a prominent place or places within the Common Area.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by written notice signed by the President of the Association, or by any two (2) directors other than the President, after not less than seventy-two (72) hours notice to each director. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all members of the Board of Directors and posted in a manner prescribed for notice

of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting.

Section 9. Quorum. A majority of the number of directors as fixed by the Articles or these By-Laws 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.

Section 10. Attendance of Meetings. Regular and special meetings of the Board of Directors shall be open to all Members of the Association; provided, however, that Association Members who are not on the governing body may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

Section 11. Adjournment of Meetings. The Board of Directors may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of 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 12. Compensation. No director or officer of the Association shall receive compensation for any service he

may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties on behalf of the Association.

Section 13. Indemnification of Directors, Officers and Employees . Except to the extent prohibited by then applicable law, the Association shall reimburse, indemnify and hold harmless each present and future director, officer and employee of the Association and each person who, at the request of the Association acts as a director, officer or employee of any other corporation in which the Association has an interest, from and against all loss, cost, liability and expense which may be imposed upon or reasonably incurred by him, including reasonable settlement payments, in connection with any claim, action, suit or proceeding or threat thereof, made or instituted, in which he may be involved or be made a party by reason of his being or having been a director, officer or employee of the Association or such other corporation, or by reason of any action alleged to have been taken or omitted by him in such capacity, if a disinterested majority of the Board (or, if a majority of the Board is not disinterested, then independent legal counsel) determines in good faith that such person was acting in good faith (a) within what he reasonably believed to be the scope of his authority or employment, and (b) for a purpose which he reasonably believed to be in the best interests of the Association. The right of indemnification provided in this Section shall inure to each person referred to

in this Section, whether or not the claim asserted against him is based on matters which arose in whole or in part prior to the adoption of this Section and in the event of his death shall extend to his legal representatives. The right of indemnification provided in this Section shall not be exclusive of any other rights to which any such person, or any other individual, may be entitled as a matter of law (including, without limitation, his rights under Section 830 of the California Corporations Code), or under any agreement, vote of directors or stockholders or otherwise.

Section 14. Records. The Board shall cause to be kept a complete record of all 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 Members entitled to vote thereat.

ARTICLE VI
POWERS AND DUTIES OF DIRECTORS

Powers. In addition to the powers and duties of the Board as set forth in the Declaration and the Articles, and subject to limitations of the Articles, the Declaration, or these By-Laws and of the California Corporations Code as to actions to be authorized or approved by the Members, and subject to the duties of the directors as prescribed by these By-Laws, 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 Board is 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, the Articles, the Declaration and/or these By-Laws 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 enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and/or these By-Laws, as the Board may deem necessary or advisable.

(c) 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 of 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 under the terms of a specific trust or trusts.

(d) to maintain the Project and the Common Area therein in accordance with the terms, covenants and conditions of the Declaration.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of the Association shall be a President and Vice-President, who shall at all times be Members of the Board of Directors, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution establish.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

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

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

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, and President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at

any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of any officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

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

(a) President

The President shall preside at all meetings of the Board of Directors; shall implement the orders and resolutions of the Board; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes of the Association.

(b) Vice-President

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

(c) Secretary

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of its Members; keep the corporate seal of the Association and affix it to all papers requiring such seal, keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses, and shall perform such other duties as may be required by the Board.

(d) Treasurer

The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; and keep proper books of account. The Treasurer may delegate the foregoing duties (except the duty to affix his signature to documents) to any person adequately covered by a fidelity bond unless expressly prohibited therefrom by the Board.

ARTICLE VIII

MISCELLANEOUS

Section 1. Record Date and Closing Membership

Register. The Board may fix a time, in the future, not exceeding fifteen (15) 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 of and to vote at such meeting, notwithstanding any transfer or any membership on the books of the Association after any record date so fixed.

Section 2. Inspection of Corporate Records.

The membership register, the books of account, and minutes of meetings of the Members' 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 Corporations 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.

Section 4. Contracts, How Executed. The Board, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name 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.

Section 5. Annual Report. The Board shall cause a balance sheet and an income statement for the Association to be sent to each Member within sixty (60) days of accounting dates as follows:

(a) A proforma operating statement (budget) for each fiscal year of the Association shall be prepared and distributed to each Member not less than sixty (60) days prior to the beginning of the fiscal year of the Association.

(b) A balance sheet as of an accounting date which shall be the last day of the month closest in time to six (6) months from the date of the first conveyance of a Unit and an income statement for an accounting period from the aforesaid date of first conveyance to the aforesaid accounting date. Said income statement for the first six (6) months accounting period shall include a schedule of Assessments received or receivable itemized for each Unit within the

Project and by the name of the person or entity assessed therefor.

(c) A balance sheet as of the last day of the Association's fiscal year and an operating statement for the fiscal year shall be distributed within sixty (60) days after the closing of the fiscal year to each Member of the Association.

Section 6. Inspection of By-Laws. The Association shall keep in its principal office for the transaction of business the original or a copy of the By-Laws as amended, certified by the Secretary, which shall be open to inspection by all of the Members at all reasonable times.

Section 7. External Audit. An external audit prepared by an independent public accountant shall be required for fiscal year financial statements (other than budgets) of the Association for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of such audit shall be available for the inspection of each Member, officer or director of the Association within thirty (30) days of completion thereof.

Section 8. Singular Includes Plural. Wherever the context of these By-Laws requires same, the singular shall include the plural, and the masculine shall include the feminine.

Section 9. Conflicts. In the case of any conflict

between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of a conflict between the Declaration and the By-Laws, the Declaration shall control.

ARTICLE IX
BOOKS AND RECORDS

Section 1. Inspection Rights of Members. The membership register, books of account, records, papers, minutes of Member's meetings and Board of Directors' meetings and of committees of the Board of Directors of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member and the lender of any Owner of a Unit, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Property as the Board shall prescribe.

Section 2. Rules for Inspection. The Board of Directors shall establish reasonable rules with respect to the following:

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

Section 3. Rights of Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the

physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE X

AMENDMENTS

Section 1. Powers of Members. The By-Laws may be accepted, amended or repealed only by the vote or written assent of both (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) a majority of the total possible votes of Members other than Declarant. Notwithstanding the foregoing, if the two-class voting structure is still in effect, these By-Laws may not be amended without the vote or written assent of a majority of the voting power of each class of membership.

Section 2. Record of Amendments. Whenever an amendment or new By-Law is adopted it shall be placed in the book of By-Laws in the appropriate place. If any By-Law is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.