

Master

BYLAWS

OF

COTO DE CAZA TERRACE HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is Coto de Caza Terrace Homeowners Association (hereinafter referred to as the "Association"). The principal office of the corporation shall be located within the Development (as hereinafter defined) or as close thereto as practicable, in the County of Orange, State of California.

ARTICLE II

DEFINITIONS

Section 2.1 Declaration. The "Declaration" shall mean the Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Coto de Caza Terrace Homeowners Association, and any amendments thereto.

Section 2.2 Other Definitions. Each and every definition set forth in Article I of the Declaration shall have the same meaning herein.

ARTICLE III

MEMBERSHIP; VOTING RIGHTS

The qualification for membership, the classes of membership and the voting rights of members shall be as set forth in Article V of the Declaration.

ARTICLE IV

MEETINGS OF MEMBERS

Section 4.1 Annual Meetings. Annual meetings of the members shall be held on such date and at such time as the Board of Directors shall determine from time to time; provided, however, that the first of said annual meetings shall not commence until subsequent to the organizational meeting as set forth in Section 4.3 of this Article IV.

Section 4.2 Special Meetings. A special meeting of the Members shall be promptly called by the Board upon:

(a) The vote for such a meeting by a majority of a quorum of the Board; or

(b) 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.

Section 4.3 Organizational Meeting of Members. The organizational meeting of the Members shall be deemed to be a special meeting, and shall be held within forty-five (45) days after the closing of the sale of the Lot which represents the fifty-first percentile (51%) interest authorized for sale under the first public report for any portion of the Development, but in no event shall the meeting be held later than six (6) months after the close of escrow for the first Lot in the Development.

Section 4.4 Place of Meetings. Meetings of the Members shall be held within the Development or a meeting place as close thereto as possible. Unless unusual conditions exist, meetings shall not be held outside Orange County.

Section 4.5 Notice of Meetings. Written notice of regular and special meetings shall be given to Members of the Board by mailing a copy of such notice, postage prepaid, not less than ten (10) nor more than ninety (90) days before the date of any meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of such notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the nature of the business to be undertaken.

Section 4.6 Quorum. The presence at any meeting in person or by proxy of Members entitled to cast at least fifty-one percent (51%) of the total votes of all Members of the Association shall constitute a quorum. In the absence of a quorum, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum of those in attendance shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. The quorum for an adjourned meeting shall be twenty-five percent (25%) of the total voting power of the Association. If a time and a place for the adjourned meeting are 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.

Section 4.7 Proxies. Every Member entitled to vote shall have the right to do so either in person, or by a written proxy executed by such Member, 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. Every proxy shall be revocable and shall automatically cease when the ownership interest or interests of such Member entitling him to membership in the Association ceases.

Section 4.8 Order of Business. The order of business of all meetings of the Members shall be as follows:

- (a) Roll call
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of Board and officers;
- (e) Election of directors, if any are to be elected;

(f) Election of the Delegate and alternate Delegate to the Coto de Caza Master Association, if any are to be elected;

(g) Unfinished business; and

(h) New business

Section 4.9 Parliamentary Procedure. All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

Section 4.10 Action Without Meeting. Any action which may be taken by the vote of Members at a regular or special meeting, except the election of directors whose cumulative voting is allowable, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporations Code.

ARTICLE V

SELECTION AND TERM OF OFFICE OF BOARD

Section 5.1 Number. The affairs of this Association shall be managed by a Board of five (5) directors, who are required to be Members of the Association.

Section 5.2 Term of Office. Until the holding of the organizational meeting of the Members, the Board shall consist of the incorporator of this Association. At the organizational meeting of Members, the Members shall elect three (3) directors to serve for a term commencing at the close of the organizational meeting and continuing until the following first annual meeting, and two (2) directors to serve a term commencing at the close of the organizational meeting and continuing until the following second annual meeting. At the expiration of the initial term of office of each respective director, his successor shall be elected to serve for a term of two (2) years, commencing immediately following the annual meeting of Members, and expiring two (2) annual meetings thereafter.

Section 5.3 Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5.4 Indemnification of Directors, Officers and Employees. Except to the extent prohibited by then applicable law, this Association shall reimburse, indemnify and

hold harmless each present and future director, officer and employee of this Association 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 this Association or such other Association, 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 of this Association (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, 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 7237 of the California Corporations Code), or under any agreement, vote of directors or stockholders or otherwise.

ARTICLE VI

NOMINATION, ELECTION AND REMOVAL OF DIRECTORS

Section 6.1 Nomination. Nomination for election to the Board shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting of Members. The nominating committee shall consist of a chairman, who shall be a Member of the Board, and two (2) or more Members of the Association. The nominating committee shall be appointed by the Board subsequent 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 as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled. All such nominations must be made from among Members.

Section 6.2 Initial Homeowner Representation. Not less than twenty percent (20%) of the representatives on the Board shall be elected solely by the votes of owners other than the Declarant at any election in which the Declarant retains a majority of the voting power of the Association.

Section 6.3 Election. Election to the Board and removal therefrom shall be by secret written ballot. At any 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 persons receiving the largest number of votes shall be elected, except as is otherwise provided in Section 6.2.

Section 6.4 Cumulative Voting. The election and removal of directors shall be by cumulative voting in accordance with California Corporations Code, Section 7615, and pursuant to subsection (b) of California Corporations Code, Section 7615, no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting and the Member has given notice at the meeting prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

Section 6.5 Removal. Any director may be removed from the Board with or without cause by a majority vote of the Members of the Association; provided, however, that unless the entire Board is removed, an individual director shall not be removed prior to the expiration of his term of office if the votes cast against removal would be sufficient to elect the Board Member 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 most recent election of the Board Members were then being elected.

Notwithstanding the foregoing provisions, any director appointed pursuant to Section 6.2 may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

Section 6.6 Vacancies. In the event of death, or resignation, 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. The remaining Members of the Board shall not, however, have the power to reappoint the removed director or directors.

ARTICLE VII

MEETINGS OF DIRECTORS

Section 7.1 Regular Meetings. Regular meetings of the Board shall be held monthly, at such time as may be fixed from time to time by resolution of the Board. The meeting place shall ordinarily be within the Development itself unless in the judgment of the Board a larger meeting place exists than is available within the Development in which case the meeting place selected shall be as close to the Development as possible. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Notice of the time and place of a regular meeting shall be posted at a prominent place or places and shall be communicated to Board Members not less than four (4) days prior to the meeting; provided, however, that notice of a meeting need not be given to any Board Member who has signed a waiver of notice or a written consent to holding of the meeting.

Section 7.2 Special Meetings. Special meetings of the Board may be called by written notice signed by the president of the Association or by any two Members of the Board other than the president. The notice shall specify the time and place of the meeting and the nature of any special business to be considered.

Notice shall be posted in a manner prescribed for notice of regular meetings and shall be sent to all Board Members not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to any Board Member who signed a waiver of notice or a written consent to holding of the meeting.

Section 7.3 Organizational Meeting of Board. The first meeting of a newly elected Board shall be an organizational meeting and shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the directors at the meeting at which such directors were elected 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 a majority of the whole Board shall be present when the time and place are announced.

Section 7.4 Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board, unless a greater number be required by law or by the Articles of Incorporation or by the Declaration.

Section 7.5 Board Action Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the unanimous written consent of all the directors to the action to be taken. Any action so approved shall have the same effect as though taken at a meeting of the directors. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area or the Development within three (3) days after the written consent of all directors have been obtained.

Section 7.6 Adjournment - Notice. A quorum of the directors may adjourn any director's meeting to meet again at a stated day and hour. Notice of the time and place of holding an adjourned meeting shall be given to all directors. In the absence of a quorum, a majority of the directors present at any directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 7.7 Conduct of Meetings. The president, or in his absence, any director selected by the directors present, shall preside at meetings of the Board. The secretary of the corporation, or in his absence any person appointed by the presiding officer, shall act as secretary of the Board.

Section 7.8 Right of Members to Attend. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

Section 7.9 Executive Sessions. The Board may, with the approval of a majority of a quorum of its Members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of 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.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 8.1 Powers. The Board shall have all powers conferred upon the Association as set forth herein and in the Declaration, excepting only those powers expressly reserved to Members.

Section 8.2 Duties. It shall be the duty of the Board to:

(a) Cause to be kept a complete record of all acts and corporate affairs and to present a statement thereof to the Members at each annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

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

(c) Delegate its powers as provided in this Declaration.

Section 8.3 Budgets and Financial Statements. The Board shall cause to be regularly prepared and distributed to all Members regardless of the number of Members or the amount of assets of the Association as follows:

(a) A budget consisting of at least the following information for each fiscal year shall be distributed not less than forty-five (45) days, and not more than sixty (60) days prior to the beginning of the fiscal year:

(i) Estimated revenue and expenses on an accrual basis.

(ii) The amount of the total cash reserves of the Association currently available for replacement or major repair of any facilities and for contingencies.

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

(iv) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Areas and facilities for which the Association 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) from the date of closing of the first sale of a Lot in the Development--and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name of the entity assessed.

(c) An annual 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.

For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy shall also be distributed. If the report referred to in (c) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without independent audit or review from the books and records of the Association. In addition to financial statements, the governing body shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against Members' Residences.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 9.1 Enumeration of Officers. The officers of the Association shall be a president and vice president, who shall at all times be Members of the Board, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 9.2 Election of Officers. The election of officers shall take place at the organizational meeting of the Board following each annual meeting of the Members.

Section 9.3 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or shall otherwise be or become disqualified to serve.

Section 9.4 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 9.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time after giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 9.7 Multiple Offices. The offices of the secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 9.4.

Section 9.8 Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds and shall co-sign all promissory notes.

(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 perform 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, shall keep the corporate seal of the Association and affix it on all papers requiring said seal, shall serve notice of meetings of the Board and of the Members, shall keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The treasurer shall be responsible for receiving and depositing in appropriate bank accounts all monies of the Association and shall be responsible for disbursing such funds as directed by resolution of the Board, shall co-sign all promissory notes of the Association, shall keep proper books or account, shall prepare budgets and financial statements on behalf of the Association, and shall perform such other duties as required by the Board.

ARTICLE X

COMMITTEES

The Association shall appoint a nominating committee as provided in these By-laws. In addition, the Board shall appoint such other committees as it deems appropriate in order to carry out its purpose.

ARTICLE XI

BOOKS AND RECORDS

Section 11.1 Inspection and Copying. The membership register, books of account and minutes of meetings of the Members, of the Board and of committees of the Board of the Association shall be made available for inspection and copying by any Member of the Association--or by his duly appointed representative--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 Development as the Board shall prescribe.

Section 11.2 Rules and Regulations. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of 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 11.3 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 XII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obliged to pay to the Association Regular Assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent and subject to a late charge in an amount as determined by the Association from time to time which charge shall not exceed the maximum amount permitted under the laws of California. If the assessment is not paid when due, it shall bear interest from the date of delinquency at ten percent (10%) per annum. The Association shall have the right to impose monetary penalties, temporary suspensions of an

Owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Governing Instruments provided that the procedures for notice and hearing, satisfying the minimum requirements of Section 7341 of the Corporations Code, are followed with respect to the accused Member before a decision to impose discipline is reached. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and actual attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive, or otherwise be relieved of liability for the assessments provided for herein.

ARTICLE XIII

AMENDMENTS

These By-laws may be amended, at a regular or special meeting of the Members, by the vote or written assent of a majority of each class of Members during the time of the two-class voting structure; and after termination of the two-class voting structure, any amendment will require the approval of a majority of the voting powers of the Association and a majority of Members other than the Declarant.

Notwithstanding the above, the percentage of a quorum or of the voting power of the Association or of Members other than the Declarant necessary to amend a specific clause or provision in these By-laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors, from time to time, except that the first fiscal year shall begin on the date of incorporation of the Association.

Section 14.2 Corporate Seal. The Association shall have a seal in the circular form, containing the name of the Association, and "Incorporated _____, 19__", and "California".

Section 14.3 Conflict. In the case of any conflict between the Articles and these By-laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-laws, the Declaration shall control.

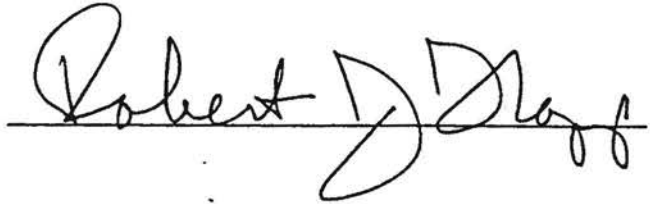
Section 14.4 Proof of Membership. No person shall exercise the rights of membership in the Association until satisfactory proof thereof has been furnished to the secretary. Such proof may consist of either a copy of recorded deed or title insurance policy showing said person to be the Owner of a Lot in the Development entitling him to membership. Such deed or policy shall be deemed conclusive in the absence of a conflicting claim based on a later deed or policy.

Section 14.5 Absentee Ballots. The Board may take such provisions as it may consider necessary or desirable for absentee ballots.

CERTIFICATE OF ADOPTION OF BY-LAWS

The undersigned person appointed in the Articles to act as the incorporator of the above named corporation hereby adopts the same as the By-laws of said corporation.

Executed this 30th day of April, 1987.

A handwritten signature in cursive script, reading "Robert J. Dwyer", is written over a horizontal line.

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