

BYLAWS OF
PENTRIDGE COVE ASSOCIATION

TABLE OF CONTENTS

ARTICLE	TITLE	PAGE
1.	NAME AND LOCATION	1
2.	DEFINITIONS.....	1
3.	MEETING OF MEMBERS AND VOTING RIGHTS.....	1
	3.1 Annual Meetings.....	1
	3.2 Special Meetings.....	1
	3.3 Notice of Meetings.....	1
	3.4 Quorum.....	2
	3.5 Proxies.....	2
	3.6 Adjournment.....	2
	3.7 Classes of Membership.....	2
	3.8 Voting Requirements.....	2
	3.9 Commencement of Voting Rights.....	2
4.	BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE	2
	4.1 Number and Term of Directors.....	2
	4.2 Election of Board of Directors.....	3
	4.3 Removal.....	3
	4.4 Vacancies.....	3
5.	MEETINGS OF DIRECTORS.....	4
	5.1 Regular Meetings.....	4
	5.2 Special Meetings.....	4
	5.3 Waiver of Notice.....	4
	5.4 Quorum.....	4
	5.5 Adjournment; Executive Session.....	4
	5.6 Board Meetings Open to Members.....	4
6.	POWERS AND DUTIES OF BOARD OF DIRECTORS.....	4
	6.1 Powers and Duties.....	4
	6.2 Limitation on Board's Power.....	6
7.	OFFICERS AND DUTIES.....	7
	7.1 Enumeration and Term.....	7
	7.2 Election of Officers.....	7
	7.3 Resignation and Removal.....	7
	7.4 Vacancies.....	7
	7.5 Multiple Offices.....	7
	7.6 Duties.....	7
8.	MAINTENANCE AND ASSESSMENTS.....	8
9.	DISCIPLINE OF MEMBERS; SUSPENSION OF RIGHTS.....	8
10.	BUDGETS, FINANCIAL STATEMENTS, BOOKS AND RECORDS...	9
	10.1 Budgets and Financial Statements.....	9
	10.2 Fiscal year.....	9
	10.3 Inspection of Association's Books and Records.....	9

11.	AMENDMENT OF BYLAWS.....	10
12.	MISCELLANEOUS PROVISIONS.....	10
12.1	Regulations.....	10
12.2	Compensation and Indemnify of Officers and Directors.....	10
12.3	Committees.....	10
12.4	Notices.....	10

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ARTICLE 1

NAME AND LOCATION

The name of the homeowners association ("Association"), is PENTRIDGE COVE ASSOCIATION. The principal office of the Association shall be located at 2950 Airway Ave. #D9, Costa Mesa, County of Orange, State of California.

ARTICLE 2

2.1 The definitions contained in the Declaration are incorporated in these Bylaws by reference.

2.2 "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded on June 24, 1980, 1980, in Book 13644, Pages 1483 through 1509, inclusive, in the office of the County Recorder for Orange County, California.

ARTICLE 3

MEETING OF MEMBERS AND VOTING
RIGHTS

3.1 Annual Meetings

Regular annual meetings of Members of the Association shall be held annually on the Project or such other suitable place convenient to the Members as may be designated by the Board. The first meeting of the Association shall be held within forty-five (45) days after the close of escrow for the sale of the Unit which represents the fifty-first (51st) percentile interest authorized for sale under the first public report for the Project, but in no event shall the first meeting be held later than six (6) months after the close of escrow for the sale of the first Units.

3.2 Special Meetings

A special meeting of Members of the Association shall be promptly called by the Board upon the vote for such a meeting by a majority of a quorum of the Board, or upon receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Association.

3.2.2 Action Without Meeting

Any action, except election of directors, which may be taken by the vote of members at a regular or special meeting may be taken without a meeting if done in compliance with Corporations Code Section 7513.

3.3 Notice of Meetings

Written notice of regular and special meetings shall be given to Members by the Board by mailing a notice to each Member which 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. Except in the case of an emergency, notice shall be mailed to each Member at least ten (10) days and not more than ninety (90) days prior to the meeting, and shall be posted in a conspicuous place on the Common Area.

3.4 Quorum

The presence in person or by proxy of at least fifty percent (50%) of the total voting power of the Association shall constitute a quorum. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

3.5 Proxies

At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Unit, or upon receipt of notice by the secretary of the Board of the death or judicially declared incompetence of such Member.

3.6 Adjournment

In the absence of a quorum at a Members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. Any adjournment for lack of a quorum 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 such a reconvened meeting shall be twenty-five percent (25%) of the total voting power of the Association.

3.7 Classes of Membership

The Association shall have two (2) classes of voting membership established according to the Declaration.

3.8 Voting Requirements

While there are two (2) outstanding classes of membership, any action by the Association which must have the approval of the Association membership before being undertaken shall require the vote or written assent of the prescribed percentage of each class of membership. The vote of Declarant shall be excluded in such determination only if there has been a conversion of Class B to Class A Memberships and only so long as the Declarant holds or directly controls 25% or more of the voting power of the Association. This provision shall not apply to the enforcement by the Association of the Declarant's obligation to complete Common Area improvements, as provided in the Declaration.

3.9 Commencement of Voting Rights

Voting rights attributable to any Unit shall not vest until an assessment has been levied against that Unit by the Association.

ARTICLE 4

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1 Number and Term of Directors

The Board shall consist of three (3) Directors,

each of whom shall be a Unit Owner or agent of Declarant (while Declarant remains a Unit Owner). The Directors shall serve for a term of three (3) years.

4.2 Election of Board of Directors

4.2.1 Nomination

Nominations for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Association. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors at least ninety (90) days prior to each annual meeting of the Members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election of the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

4.2.2 Cumulative Voting

Elections of Board members shall be by secret written ballot. All elections in which more than two (2) positions on the Board are to be filled shall be conducted by cumulative voting.

4.2.3 Special Provisions

From the first election of the Board and thereafter for so long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, the first Director to be elected shall be elected solely by the votes of Owners other than the Declarant, and the remaining Directors shall be elected by the usual cumulative voting procedures.

4.3 Removal

Unless the entire Board is removed from office by the vote of the Association Members, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the Director if voted cumulatively at an election at which the same number of votes were cast and the entire Board were then being elected. A Director elected pursuant to the special procedure set forth in Subarticle 4.2.3 may be removed prior to the expiration of his term only by a simple majority of the voting power residing in Members other than the Declarant.

4.4 Vacancies

Vacancies in the Board caused by any reason other than the removal of a Director by vote of the Members shall be filled by vote of the majority of the remaining Directors, and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association, or at a special meeting of the Members called for that purpose.

ARTICLE 5

MEETINGS OF DIRECTORS

5.1 Regular Meetings

Regular meetings of the Board shall be conducted at least monthly at a time and place within or near the Project, as may be fixed by the Board. Notice of the time and place of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for the meeting and shall also be posted at a prominent place or places within the Common Area.

5.2 Special Meetings

A special meeting of the Board may be called by written notice signed by the President of the Association or by any two (2) Directors other than the President. Notice shall be provided to all Directors and posted in the Common Area in the manner prescribed for notice of regular meetings, and shall include a description of the nature of any special business to be considered by the Board.

5.3 Waiver of Notice

Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place of the meeting.

5.4 Quorum

The presence in person of a majority of the Directors at any meeting of the Board shall constitute a quorum.

5.5 Adjournment; Executive Session

The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the 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.

5.6 Board Meetings Open to Members

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.

ARTICLE 6

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.1 Powers and Duties

The Board shall have the powers and duties necessary for the administration of the affairs of the Association. Without limitation on the generality of the foregoing powers and duties, the Board shall be vested with, and responsible for the following powers and duties:

6.1.1 To select, appoint, supervise, and remove all officers, agents, and employees of the Association; to prescribe such powers and duties for them as may be consistent with law, and with the Articles, the Declaration and these Bylaws; and to fix their compensation (if not prohibited under these bylaws) and to require from them security for faithful service when deemed advisable by the Board;

6.1.1.1 To elect the officers of the Board.

6.1.2 To enforce the applicable provisions of the Declaration, these Bylaws and other instruments relating to the ownership, management and control of the Project;

6.1.3 To adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish procedures and penalties for the infraction thereof, subject to approval of the membership;

6.1.4 To pay all taxes and assessments which are, or could become a lien on the Common Area or a portion thereof;

6.1.5 To contract for casualty, liability and other insurance on behalf of the Association as provided in the Declaration;

6.1.6 To cause the Common Area to be maintained and to contract for goods and/or services for the Common Area or for the Association, subject to the limitations set forth in this Article;

6.1.7 To delegate its powers to committees, officers or employees of the Association, or to a management company pursuant to a written contract, as expressly authorized by the Declaration and these Bylaws;

6.1.8 To prepare budgets and financial statements for the Association as prescribed in these Bylaws;

6.1.9 To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Declaration and these Bylaws and such rules that may be promulgated by the Board, in accordance with procedures set forth in these Bylaws;

6.1.10 To enter upon any privately owned Unit as necessary in connection with construction, maintenance or emergency repair for the benefit of the Common Area or the Owners.

6.1.11 To borrow money and incur indebtedness for purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor;

6.1.12 To fix and collect regular and special assessments according to the Declaration and these Bylaws, and, if necessary, to record a notice of assessment and foreclose the lien against any Unit for which an assessment is not paid within thirty (30) days after the due date, or bring an action at law against the Owner personally obligated to pay such assessment. All reserves for capital expansion, repair and maintenance shall be transferred to and held in a trust fund or funds for such purpose, established by vote of a majority of Members, and shall be expended only in the trust manner prescribed;

6.1.13 To prepare and file annual tax returns with the federal government and the State of California and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association. Without limiting the generality of the foregoing, the Board may, on behalf of the Association, elect to be taxed under Section 528 of the Internal Revenue Code or any successor statute conferring income tax benefits on homeowners associations. In connection therewith the Board shall take such steps as are necessary to assure that the income and expenses of the Association for any taxable year shall meet the following limitations and restrictions:

6.1.13.1 At least eighty percent (80%) of the gross income of the Association for any taxable year shall consist solely of amounts received as membership dues, fees or assessments from Unit Owners;

6.1.13.2 At least ninety percent (90%) or more of the expenditures of the Association for any taxable year shall be for the acquisition, construction, management, maintenance and care of Association property;

6.1.13.3 No part of the net earnings of the Association shall inure (other than by acquiring, constructing or providing management, maintenance and care of Association property and other than by a rebate of excess membership dues, fees or assessments) to the benefit of any private individual.

6.2 Limitation on Board's Power

Except with the vote or written assent of a majority of the voting power of the Association residing in Members other than Declarant, the Board shall be prohibited from taking any of the following actions:

6.2.1 Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

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

6.2.3 Paying compensation to Directors or to Officers of the Association for services performed in the conduct of the Association's business provided, however, that the Board may cause a Director or Officer to be reimbursed for expenses incurred in carrying on the business of the Association.

6.2.4 Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

6.2.4.1 A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

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