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ENDORSED
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In the office of the Secretary of State
of the State of California

ARTICLES OF INCORPORATION

OCT 23 1985

OF

MARK H. FORD, LL, Secretary of State

Sharon K. Hawkins

RANCHO SANTA MARGARITA LANDSCAPE AND RECREATION
CORPORATION Deputy

ARTICLE I

Name

The name of this corporation is Rancho Santa Margarita
Landscape and Recreation Corporation.

ARTICLE II

Purposes

- (a) This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.
- (b) The specific and primary purpose for which this corporation is formed is to provide community services and facilities or contract for the provision thereof for the general use, benefit and welfare of the owners and/or occupants of the residences situated within that certain real property in Orange County, California known as the development of Rancho Santa Margarita and more particularly described in a declaration of covenants, conditions and restrictions (the "Declaration") which defines this corporation as "SAMLARC" in the Article thereof entitled "Definitions" and has been or will be recorded by Rancho Santa Margarita Joint Venture, a California General Partnership.
- (c) Included in the specific and primary purpose as hereinabove set forth is the performance of all lawful acts as shall generally benefit said property, including, without limitation: the management and maintenance of said property and the preservation of the value, desirability and attractiveness thereof all in accordance with the terms of the Declaration, as well as the disbursement and allocation of funds as set forth therein.

ARTICLE III

Initial Agent

The name of the initial agent of the corporation for service of process is Stephen C. Schrank, 31726 Rancho Viejo Road, Suite 101, San Juan Capistrano, California 92693.

ARTICLE IV

Amendment of Articles

The amendment, alteration or repeal of any provision contained in these Articles of Incorporation shall require both a resolution of the Board of Directors and the vote or written assent of not less than seventy-five percent (75%) of the voting power of the corporation, and all rights and powers conferred herein on members, directors and officers are subject to this reserved power. In addition to the foregoing, as long as there is a Class B membership as provided in the Bylaws, any amendment of these Articles of Incorporation must also be approved by the vote or written assent of not less than seventy-five percent (75%) of the voting power of each Class of memberships. Once the Class B membership has been converted to Class A membership, any amendment of these Articles of Incorporation must also be approved by the vote or written assent of not less than seventy-five percent (75%) of the voting power of SAMLARC residing in members other than the Declarant, as such term is defined in the Declaration. In addition to the foregoing, an amendment to this Article of the Articles of Incorporation must have the written approval of the percentage of the voting power of the Members and Eligible Mortgage Holders as provided in the Section entitled "Vote of Eligible Mortgage Holders and Owners" of the Article entitled "Mortgagee Protection" of the Declaration.

ARTICLE V

Activities and Powers

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise

any powers that are not in furtherance of the specific purposes of this corporation.

DATED: 10/09/85

Stephen C Schrank
Signature of Incorporator

Stephen C. Schrank
Typed name of Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

Stephen C Schrank
Signature of Incorporator

BYLAWS
OF
RANCHO SANTA MARGARITA LANDSCAPE AND
RECREATION CORPORATION

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CERTIFICATE OF SECRETARY

BYLAWS
OF
RANCHO SANTA MARGARITA LANDSCAPE AND
RECREATION CORPORATION

ARTICLE I

Name and Location

The name of this corporation is Rancho Santa Margarita Landscape and Recreation Corporation. The county in the State of California where the principal office for the transaction of the business of SAMLARC is located is the County of Orange. The principal office is hereby fixed and located within the Covered Property, or as close thereto as practicable in the County. The Board is hereby granted full power and authority to change said principal office from one location to another within the County.

ARTICLE II

Definitions

All terms as used in these Bylaws shall, unless stated otherwise, be defined as set forth in that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions which defines SAMLARC named herein in the Article thereof entitled "Definitions" and which has been or will be recorded by Rancho Santa Margarita Joint Venture, a California General Partnership, in the Official Records of Orange County, California, and any amendments thereto (the "Declaration"). All of the terms and provisions of said Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE III

Meetings of SAMLARC

Section 3.01 - Annual Meetings. The first annual meeting of SAMLARC shall be held within forty-five (45) days after fifty-one percent (51%) of the Residences located within the Initial Covered Property have been conveyed or within

six (6) months after the first conveyance of a Residence, whichever occurs first, and each subsequent regular annual meeting of SAMLARC shall be held on the same day of the same month of each year thereafter, at the hour set forth in the notice given pursuant to the Section entitled "Notices of Meetings" of these Bylaws, 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 and provided further that the Board may fix a new date for an adjourned meeting to be held within thirty (30) days of the date of the scheduled meeting without further notice, or within sixty (60) days of the date of the scheduled meeting if notice of the time and place of the meeting is required to be given as hereinafter provided. If the day for the annual meeting of SAMLARC 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 3.02 - Place of Meeting. All meetings of SAMLARC shall be held within the Covered Property or at a meeting place as close thereto as practical as may be fixed from time to time by resolution of the Board. Unless unusual conditions exist, such meetings shall not be held outside of the County.

Section 3.03 - Special Meetings. Special meetings of SAMLARC for any purpose shall be called at any time by the Chairman of the Board, the President, or the Board upon either the vote by a majority 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 SAMLARC. 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 SAMLARC, the officer shall cause notice to be delivered to the Members entitled to vote within twenty (20) days after such request that a meeting will be held at a time fixed by the Board not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request except as otherwise provided in the SAMLARC Management Documents for particular actions such as, and without limitation, the Article entitled "Enforcement of Bonded Obligations" of the Declaration.

Section 3.04 - Notice of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote in the manner prescribed for delivery of notices in the Section entitled "Notices" of the Article entitled "General Provisions" of the Declaration. All

such notices shall be sent to each Member entitled thereto not less than thirty-five (35) days nor more than ninety (90) days before each meeting, and shall specify the place, the date and the time of such meeting and the general nature of the business which the Board intends to present for action by the Members through their respective Delegates. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members.

Section 3.05 - Waiver of Notice. The transactions of any meeting of SAMLARC, however called and noticed, and wherever held, are as valid as though had at a meeting held after regular call and notice if a quorum is present, and if, either before or after the meeting, each of the persons entitled to vote who has not voted signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be submitted by the Delegate representing such Members and filed within the SAMLARC records or made a part of the minutes of the meeting. Except for matters that may be presented at any meeting to remove a director without cause, to fill a vacancy on the Board, to ratify a transaction between SAMLARC and one or more of its directors, to approve amendments to the Articles, or to elect to voluntarily wind-up and dissolve SAMLARC, neither the business to be transacted at nor the purpose of any regular or special meeting of SAMLARC need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof.

Section 3.06 - Quorum. The presence at the meeting of Delegates casting not less than twenty-five percent (25%) of the voting power of SAMLARC 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 Delegates present may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called.

Section 3.07 - Adjourned Meetings. When any originally scheduled or adjourned meeting of SAMLARC, either annual or special, is adjourned for any reason (including, without limitation, that a quorum was not present) for more than thirty (30) days or if the time and place for the adjourned meeting are not announced at the original meeting, or if a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of

the adjourned meeting shall be given in the manner prescribed for the original meeting.

Section 3.08 - 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 cast 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 Delegates 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 Delegates to leave less than a quorum, if any action taken (other than adjournment) is approved by Delegates casting at least a majority of the voting power required to constitute a quorum.

Any action which may be taken 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) A written ballot may be distributed 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 SAMLARC, 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 the Section entitled "Notice of Meetings" of these Bylaws. 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) Any form of written ballot distributed to the Members shall afford an opportunity on the form of written ballot to specify a choice between approval or disapproval of each matter or group of related matters which, at the time the written ballot is distributed, are intended to be acted upon by such written ballot, and shall provide, subject to reasonable specified conditions, that where the Member solicited specifies a choice with respect to any such matter the vote shall be cast in accordance therewith.

(e) A written ballot may not be revoked.

Section 3.09 - Voting Rights. SAMLARC shall have the classes of voting membership and the same voting rights and requirements set forth in the Declaration. All meetings of SAMLARC shall be attended by Delegates representing and casting the votes of the Members of their respective Delegate Districts, and by the Delegate representing and casting the votes of the Declarants. The Board shall adopt, amend and repeal from time to time such rules and regulations as it deems reasonable and appropriate to establish uniform voting forms, including, without limitation, proxy forms, registration books and voting procedures to be utilized by the Delegate Districts.

Section 3.10 - Appointment of Delegates.

(a) Each president of a Subordinate Maintenance Corporation shall be the Delegate of the Delegate District comprised of the property covered by the Subordinate Declaration of such Subordinate Maintenance Corporation. The vice president shall perform all of the duties of the Delegate in the absence or disability of the president pursuant to the provisions of the bylaws of such Subordinate Maintenance Corporation. The appointee to fill any vacancy in the office of president of any such Subordinate Maintenance Corporation shall automatically become the appointed Delegate of such Delegate District.

(b) The membership of each Delegate District that is comprised of property that is not encumbered by a Subordinate Declaration of a Subordinate Maintenance Corporation shall have the right to elect a Delegate to represent such Delegate District and to

fill any vacancy that may have been created by the death, resignation, disqualification or removal of any Delegate. Any such Delegate shall be elected at a meeting of the Delegate District duly called for such purpose in accordance with the requirements of the Section hereof entitled "Delegate District Meetings." The Board shall have the right to appoint a Delegate to represent the membership of any such Delegate District in the absence of any such election or to serve until any such Delegate is duly elected.

(c) Declarants who are Owners shall have the right to elect one Delegate.

All Delegates, with the exception of the Delegate elected by the Declarants, must be Members of SAMLARC. Any Delegate shall have the power to delegate to any other person and/or to committees any of the duties and powers of a Delegate under the SAMLARC Management Documents.

Section 3.11 - Notification to SAMLARC. All Delegates shall furnish written confirmation to the Board of their appointment or election together with the official address to be used for the purpose of providing notice to Delegates of SAMLARC matters. SAMLARC shall not be obligated to recognize any Delegate, or any person to which such Delegate has delegated any powers and duties, or the votes or assents of Members cast by any such person unless it has first received written confirmation of such appointment or election from the Delegate.

Section 3.12 - Removal of Delegates. A Delegate elected by the Declarants may be removed with or without cause only by a majority of the voting power of the Declarants. Delegates appointed by virtue of being presidents of Subordinate Maintenance Corporations may be removed in the manner provided in the corporation documents of such Subordinate Maintenance Corporations for the removal of directors. Any Delegate appointed by the Board may be removed from office with or without cause by the Board or by a majority of the votes cast on any such motion or resolution for removal (if such affirmative votes also constitute a majority of the required quorum) at any meeting of the Delegate District of such Delegate which has been called in accordance with the provisions of the Section entitled "Delegate District Meetings" of this Article of the Bylaws; provided, however, that if such Delegate District has a voting power of less than fifty (50) votes, then such removal must be approved by an affirmative vote of a majority of all of the voting power

entitled to be cast. The Board shall appoint a committee, officer, employee or agent to preside at such Delegate District meeting and any expense of providing the notice and conducting the meeting may be charged to the Members of such Delegate District as a Special Assessment.

Section 3.13 - Voting Procedure of Members. Written notice of any action requiring the vote of the membership shall be submitted to the Members not less than thirty-five (35) days nor more than ninety (90) days prior to the date of the SAMLARC meeting at which such actions are to be considered. Within such period of time, each of the Delegates shall provide an opportunity for each such Member to execute proxies, cast written ballots or approve or disapprove any actions in accordance with the procedures for voting adopted by the Board.

Section 3.14 - Voting Procedure of Delegates. If required by the Board, each Delegate shall provide written certification as to the voting power of the Members within his Delegate District, including, without limitation, the total voting power of the Declarant and of Members other than the Declarant as of the Record Date. The Delegate representing a Delegate District shall be entitled to cast the total voting power of the Delegate District of Members other than the Declarants at any meeting of SAMLARC for the purpose of establishing a quorum. However, on actions requiring votes "for" and "against" any actions each such Delegate shall cast the actual number of votes as the Members other than the Declarant in the Delegate District voted "for" or "against" such actions. The Delegate appointed by the Declarant shall cast the votes of the Declarant, and shall be entitled to cast three (3) votes for each Residence owned for all Phases in which it still qualifies as a Class B Member. Any Delegates casting votes on behalf of the Members will be deemed to have acted with the consent and authority of all such Members. All agreements and determinations lawfully made by SAMLARC in accordance with the voting procedures established herein and shall be deemed to be binding on all Members and their respective successors and assigns.

Section 3.15 - Delegate District Meetings.

(a) A Delegate District meeting for actions pertaining to Delegate District matters may be called by the Delegate of such Delegate District or by Members within such Delegate District representing at least five percent (5%) of the total voting power of such Delegate District. Upon request in writing to

the Delegate, the notice of meeting to the Members entitled to vote shall be delivered within twenty (20) days of the date of such request, and all notices of meetings must be delivered not less than thirty-five (35) days nor more than ninety (90) days before the date of the meeting and shall specify the place, date and the time of such meeting, and the general nature of the business to be transacted. A Delegate District meeting shall be held within such Delegate District or at a meeting place as close thereto as practical as may be fixed from time to time by the Delegate.

(b) The presence at any meeting in person or by proxy of Members entitled to vote at least twenty-five percent (25%) of the total voting power within such Delegate District shall constitute a quorum, and if any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. If a 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 not fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the same manner prescribed for the originally scheduled meeting.

(c) Except as provided in the Section entitled "Removal of Delegates" of this Article, the Delegate shall be the chairman to preside over the meeting and the Members present shall select a secretary to transcribe minutes of the meeting. Any action pertaining to Delegate District matters may be taken at any meeting of such Members upon the affirmative vote of the Members having a majority of the total voting power of the Delegate District present at such meeting in person or by proxy, except as otherwise provided in the Articles, Bylaws, or the Declaration, or any Supplementary Declaration.

(d) In the event a Delegate has not been elected or appointed in the manner set forth above to represent a Delegate District, such Delegate District meeting may be called by the Members of such Delegate District as aforesaid by notice delivered to the Chairman of the Board, President, Vice President or Secretary, and in such event any such officer shall

schedule such meeting and cause notice to be delivered as aforesaid, and the Board shall then appoint a committee, officer, employee or agent to preside at such Delegate District meeting.

(e) Notwithstanding the foregoing, a Delegate District is absolutely prohibited from taking any action that would modify any right or obligation of the Delegate imposed by any of the SAMLARC Management Documents including, without limitation, the obligation of the Delegate to attend SAMLARC meetings and cast the votes of the Members represented.

(f) SAMLARC shall pay all costs of providing notices and conducting any Delegate District meetings within a Delegate District comprised of property that is not subject to a Subordinate Maintenance Declaration of a Subordinate Maintenance Corporation, but the cost shall be charged as a Special Assessment to the Members of the Delegate District receiving the benefit of such services.

Section 3.16 - Proxies.

(a) 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 Delegate of his Delegate District; 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. All proxies must satisfy the requirements of Section 7613 of the California Corporations Code or any successor statute thereof. If SAMLARC has one hundred (100) or more Members, any form of proxy distributed to ten (10) or more Members must comply with the requirements of Section 7514 of the California Corporations Code or any successor statute thereof.

(b) Any revocable proxy concerning certain matters which require a vote of the Members is not valid as to such matters unless it sets forth the general nature of the matter to be voted on. These certain matters are as follows:

(i) removal of a director without cause;

(ii) filling vacancies on the Board created by removal of a director;

(iii) approval of transactions involving directors;

(iv) amendment of the Articles;

(v) sale, lease, conveyance, exchange, transfer or other disposition of all or substantially all of the assets of SAMLARC;

(vi) merger of SAMLARC with another corporation;

(vii) amendment of an agreement of merger;

(viii) voluntary dissolution of SAMLARC;

(ix) distribution of SAMLARC's assets upon dissolution.

(c) Any form of proxy distributed to the Members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of related matters which, at the time the proxy is distributed, are intended to be acted upon at the meeting for which the proxy is solicited, and shall provide, subject to reasonable specified conditions, that where the Member solicited specifies a choice with respect to any such matter the vote shall be cast in accordance therewith.

(d) The rules and regulations adopted by the Board to regulate voting within the Delegate Districts may include the approval of proxy forms to ensure compliance with this Section and applicable provisions of the California Corporations Code.

Section 3.17 - Mortgagee Protection. Written notice of annual meetings, upon written request, shall also be given to any First Mortgagee either personally or by sending a copy of the notice through the mail in the manner provided in the Section entitled "Notices" of the Article entitled "General Provisions" of the Declaration. First Mortgagees shall have the right to attend all SAMLARC meetings through a representative who has been designated in a writing that has been delivered to the Board.

ARTICLE IV

Election of Directors

Section 4.01 - Number and Qualification of Directors. The Board shall consist of five (5) directors until the annual meeting at which the Declarant ceases to have the ability to elect the majority of the directors at which time the Board shall consist of seven (7) directors until changed by an amendment to this Section of these Bylaws. A person may serve as a director without being a Member. With the exception of directors elected by Declarant, a person may serve as a director only as long as such person is not a director or officer of a Subordinate Maintenance Corporation.

Section 4.02 - Election and Term of Office. Until the holding of the first annual meeting of SAMLARC referred to in the Article of these Bylaws entitled "Meetings of SAMLARC," the incorporator of SAMLARC may do whatever is necessary and proper to perfect the organization of SAMLARC, including the adoption of these Bylaws and the appointment of the first directors and officers. All positions on the Board shall be filled at the first annual meeting. Of the directors who are elected, the two (2) candidates receiving the lowest number of votes shall be designated Class I directors elected to serve two (2) year terms and the remaining directors shall be designated Class II directors elected to serve three (3) year terms. At the SAMLARC meeting at which two additional directors are elected to increase the number of directors to seven, of all of the directors who are elected, the director receiving the lowest number of votes shall be elected to serve a one (1) year term and the remaining directors elected at such meeting shall serve two (2) year terms. Upon the expiration of such terms, all successor directors shall be elected for two (2) year terms at alternate annual meetings of SAMLARC, but if any such annual meeting is not held, or if the directors are not elected thereat, the directors may be elected for two (2) year terms at any special meeting of SAMLARC held for that purpose.

Election of directors shall be by secret written ballot. All directors shall hold office until their respective successors are elected.

Section 4.03 - Election Committee. 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 Chairman, who shall be a member of the Board, and two (2) other persons who shall be Members. The Election 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.

Any person who is qualified to be elected to the Board may also be nominated by petition delivered to an officer of SAMLARC, signed within six (6) months preceding the next time directors will be elected, by Members representing two percent (2%) of the voting power of SAMLARC disregarding any provision for cumulative voting as long as such total voting power is less than 5,000 votes, and one-twentieth of one percent of the total voting power but not less than one hundred votes at such time as such total voting power disregarding any provision for cumulative voting totals 5,000 or more votes.

Nominations for the Board shall be closed one hundred (100) days before the date directors are to be elected. No nominations for the Board can be made after that date.

Section 4.04 - Cumulative Voting. 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. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.

All Members shall be entitled to cumulate votes. Prior to the voting, the names of all candidates nominated by petition or by the Election Committee as aforesaid shall be placed in nomination and notice of the intention to cumulate votes shall be given.

Section 4.05 - Special Voting Rights. The Members other than Declarant shall be entitled to elect not less than forty percent (40%) of the total number of directors as set forth in the Declaration. The Declarant shall be entitled to elect not less than fifty-one percent (51%) of the total number of directors as long as Declarant has the obligation to subsidize not less than twenty percent (20%) of the total Common Expenses, provided, however, that such right shall expire no later than five (5) years after the first conveyance of a Residence. The Declarant also shall be entitled to elect not less than forty percent (40%) of the directors thereafter as long as Declarant has the

obligation to subsidize not less than Ten Thousand Dollars (\$10,000.00) of the Common Expenses, provided, however, that such right shall expire no later than ten (10) years after the first conveyance of a Residence. As used in this Section, (i) Budget, Subsidy Agreement and Bond shall mean such documents as disclosed in the latest Final Subdivision Public Report issued by the Department of Real Estate of the State of California prior to such election of directors, (ii) Declarant's obligation shall be the amount of such Bond, and (iii) the percentage of the Declarant's obligation shall be calculated on the basis that the Bond bears to the total Common Expenses shown in such Budget. Notwithstanding the provisions of the Section entitled "Removal of Directors" of this Article, any director elected by Members other than Declarant may not be removed without the vote of a majority of the voting power residing in Members other than Declarant and any director elected by the Declarants cannot be removed without the vote of the majority of the voting power of the Declarants.

Section 4.06 - Removal of Directors. At any meeting of SAMLARC 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 meeting has also been given to said entire Board or any individual director whose removal is to be considered at said meeting. The entire Board or any individual director may be removed from office without cause by a majority of the votes cast in the voting on any motion or resolution for removal (if such affirmative votes also constitute a majority of the required quorum); provided, however, that if SAMLARC has a voting power of less than fifty (50) votes, then such removal must be approved by an affirmative vote of a majority of all the votes entitled to be cast. However, unless the entire Board is removed, an individual director shall not be removed prior to the expiration of his term of office when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. 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. Notwithstanding the foregoing, as set forth in

the Declaration and the Section entitled "Special Voting Rights" of these Bylaws, a director elected pursuant to the voting rights of Members other than Declarant may only be removed by the vote or written assent of a majority of the Members other than Declarant and a director elected pursuant to the voting rights of Declarants may only be removed by the vote or written assent of a majority of the voting power of the Declarants.

Section 4.07 - Vacancies. A vacancy or vacancies shall be deemed to exist on the Board in case of the death, resignation or removal of any director. If the authorized number of directors has been increased at any meeting of SAMLARC, or at an adjournment thereof, without an election of directors required to fill such positions, or if the Delegates, with the voting power of their Members fail to at any time elect the full number of the authorized directors, a vacancy or vacancies shall be deemed to exist.

Vacancies on the Board, except for a vacancy created by the removal of a director, may be filled by a vote of a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual meeting of SAMLARC, or at a special meeting called for that purpose. The Board shall be prohibited from filling a vacancy created by the removal of a director or directors except with the vote or written assent of the voting power prescribed under the Section entitled "General Limitations and Restrictions on the Powers of the Board" of the Article entitled "Powers, Duties and Limitations of the Board" of the Bylaws. If the Board is not so authorized to act, vacancies occurring in the Board by reason of the removal of a director or directors may be filled only by approval of the Members by votes cast by their appointed Delegates at a duly held meeting.

The Members by votes cast by their appointed Delegates 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.

Notwithstanding the foregoing, as set forth in the Declaration and in the Section entitled "Special Voting Rights" of these Bylaws, a vacancy caused by the death, resignation or removal of any director elected pursuant to the special voting rights of Members other than Declarant may only be filled by the vote of a majority of the voting power of the Members other than Declarant and a vacancy caused by the death, resignation or removal of any director elected pursuant to the voting rights of the Declarant may only be filled by the vote of the majority of the voting power of the Declarants.

ARTICLE V

Meetings of the Board

Section 5.01 - Regular Meetings.

(a) Organizational Meeting. Immediately following each annual meeting of SAMLARC, 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.

(b) 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. In no event shall regular meetings of the Board be held less than once every six (6) months.

Section 5.02 - Special Meetings. Special meetings of the Board for any purpose may be called at any time by the Chairman or by the President, or by any two (2) directors other than the President.

Section 5.03 - Place of Meetings. All meetings of the Board shall be held at the principal office of SAMLARC, or at any other place or places within the Covered Property designated at any time by resolution of the Board or by written consent of all members of the Board unless in the judgment of the Board a larger meeting room is required than exists within the Covered Property in which case the

meeting room selected shall be as close as possible to the Covered Property.

Section 5.04 - Notice of Meetings.

(a) Regular Meeting. Notice of the time and place of any regular meeting shall be posted at a prominent and accessible place or places within the Covered Property and shall be communicated to directors not less than four (4) days prior to the meeting.

(b) Special Meetings. Written notice of the time and place of a special meeting and the nature of any special business to be considered thereat shall be posted in a prominent and accessible place or places in the Covered Property not less than four (4) days prior to the meeting. Such notice shall also be either delivered personally to the directors or sent to each director by letter or by telegram, postage or charges prepaid, addressed to him at his address as it is shown upon the records of SAMLARC. In case such notice is delivered personally to the directors, such delivery must occur not less than seventy-two (72) hours prior to the scheduled time of the meeting. In case such notice is mailed or telegraphed, it shall be deposited in the United States Mail or delivered to the telegraph company at or near the place in which the principal office of SAMLARC is located at least four (4) days (if by mail) or seventy-two (72) hours (if by telegraph) prior to the scheduled time of the meeting. Such mailing, telegraphing or delivery as provided herein shall be due, legal and personal notice to each such director.

Section 5.05 - Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If a Board meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of adjournment.

Section 5.06 - Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed to the directors, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present and each director who attends does so without protesting, either prior thereto or at its commencement, the lack of notice to such director, 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 SAMLARC or made a part of the minutes of the meeting.

Section 5.07 - Quorum. A majority of the number of directors as fixed by these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinbefore 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. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as is required by statute the Declaration, the Articles, or these Bylaws.

Section 5.08 - Attendance of Board Meetings by Members. Regular and special Board meetings shall be open to all Members; provided, however, no Member who is not an officer or director shall participate in any deliberation or discussion unless expressly authorized by a majority of a quorum of the Board. The Board may, upon the vote of a majority of the Board's quorum, adjourn a Board meeting and reconvene in executive session exclusive of all Members who are not directors to discuss and vote upon personnel matters, litigation in which SAMLARC is or may become involved and other similar matters requiring confidentiality. The nature of any and all business to be so considered in executive session shall first be announced in open session.

Section 5.09 - 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. 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 Covered Property

within three (3) days after the written consents of all Board members have been obtained.

Section 5.10 - Telephonic Attendance. 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 Section constitutes presence in person at such meeting.

Section 5.11 - 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.

ARTICLE VI

Powers, Duties and Limitations of the Board

Section 6.01 - Powers and Duties. In addition to the powers and duties of the Board as set forth in the SAMLARC Management Documents, and subject to limitations of the SAMLARC Management Documents, 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 SAMLARC 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 and duties, to wit:

(a) SAMLARC Management Documents: the duty to enforce the provisions of the SAMLARC Management Documents and other instruments for the ownership, management and control of the Covered Property and carry out the obligations of SAMLARC;

(b) Real and Personal Property Taxes: the duty to pay any taxes and assessments which are, or could become, a lien on the Community Property or any portion thereof;

(c) Insurance: the duty to contract for insurance on behalf of SAMLARC or its Members pursuant to the Article entitled "Insurance" of the Declaration;

(d) Contracts for Goods and Services: subject to the restrictions and limitations set forth in the

Sections entitled "General Limitations on the Restrictions on the Powers of the Board" and "Additional Contractual Restrictions" of this Article, the duty to contract for goods and/or services for the Community Property to include, without limitation, water, gas and electric, refuse collections and other services, or for SAMLARC, to the extent such services are Common Expenses of SAMLARC, and are not provided by a Subordinate Maintenance Corporation, to include, without limitation the following:

(i) trash pickup and disposal service for the benefit of the Owners and their Residences;

(ii) cable television services for the benefit of the Owners who have subscribed for such service;

(e) Grant Concessions: the power to grant commercial concessions over portions of the Community Property, provided that any such contract with an affiliate of Declarant must also comply with the requirements of other Sections of this Article.

(f) Delegation of Powers: the power to delegate to Delegates, committees, officers, employees or agents any of its duties and powers under the SAMLARC Management Documents; provided, however, no such delegation to a professional management company, the Architectural Committee or otherwise shall relieve SAMLARC of its obligation to perform such delegated duty;

(g) Budgets and Financial Statements: the duty to prepare budgets and financial statements for SAMLARC pursuant to the Article entitled "Budget and Financial Statements" of the Bylaws;

(h) Rules and Regulations: the power to formulate rules of operation for the Community Property and facilities controlled by SAMLARC;

(i) Disciplinary Proceedings: the duty to initiate and execute disciplinary proceedings against Members for violations of provisions of the SAMLARC Management Documents in accordance with the procedures set forth in the Article entitled "Discipline of Members" of the Bylaws;

(j) Right of Entry: the power to enter upon any Residence as necessary in connection with construction, maintenance or emergency repair for the benefit of the Community Property or the Owners, to include, without limitation, the following:

(i) Any member of the Architectural Committee or any officer, director, employee or agent of SAMLARC may at any reasonable time enter upon any Residence after notice to the Owner in order to inspect Improvements constructed or being constructed on such Residence to ascertain that such Improvements have been or are being built in compliance with plans and specifications submitted to and approved by the Architectural Committee in accordance with the Architectural Standards;

(ii) Entry may be made without notice in the event of any emergency involving illness or potential danger to life or property or as necessary to repair or maintain the Community Property so as not to deprive other Owners of the proper use thereof, for example, but without limitation, the repair of utility installations or structures that service other Residences. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by SAMLARC unless covered by insurance carried by the Owner;

(iii) Entry may be made upon any Residence in connection with any exterior maintenance, repair or construction in the exercise of the powers and duties of SAMLARC after approval by two-thirds (2/3) vote of the Board. Such entry shall be made only after not less than three (3) days' notice has been given to the Owner.

(j) Election of Officers: the duty to elect officers of the Board pursuant to the Section entitled "Officers" of the Article entitled "Officers" of the Bylaws;

(k) Vacancies on the Board: the power to fill vacancies on the Board except vacancies created by the removal of a director pursuant to the Section entitled "Removal of Directors" of the Article entitled "Election of Directors" of the Bylaws;

(l) Corporate Seal: the power to adopt and use a corporate seal;

(m) Membership Certificates. the power to issue appropriate membership certificates evidencing membership in SAMLARC;

(n) Tax-Exempt Status: the duty to conduct the business of SAMLARC in such manner that SAMLARC can qualify and be considered an organization exempt from federal and state income taxes pursuant to Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t, as amended. The Board shall cause to be timely filed any annual election for tax-exempt status as may be required under federal or state law, and shall undertake to cause SAMLARC to comply with the statutes, rules and regulations which have been or shall be adopted by federal and state agencies pertaining to such exemptions; and

(o) the duty to adopt and amend as necessary from time to time, rules and regulations to be utilized by all of the various Delegate Districts to insure uniform and equitable voting procedures for all Members of SAMLARC.

Section 6.02 - General Limitations and Restrictions on the Powers of the Board. In addition to the limitations and restrictions enumerated elsewhere in the SAMLARC Management Documents and without limiting the generality thereof, and subject to further limitations set forth in the Section entitled "Additional Contractual Restrictions" of this Article, the Board shall be prohibited from taking any of the following action without the vote or written assent of a majority of each class of membership or a majority of the voting power of SAMLARC as well as a majority of the total voting power of Members other than the Declarant as set forth in the Section entitled "Voting Requirements for Certain Actions" of the Article entitled "Membership Voting Rights" of the Declaration or such higher percentage of the voting power of SAMLARC as specified in this Section:

(a) Long Term Contracts: enter into a contract with a third person wherein the third person will furnish goods or services for the Community Property or SAMLARC for a term longer than one (1) year, with the following exceptions:

(i) a management contract the terms of which have been approved by the FHA and VA;

(ii) 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;

(iii) prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the applicable policy permits short rate cancellation by the insured; and

(iv) lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Expenditures. incur aggregate expenditures for capital improvements to the Community Property in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for the fiscal year;

(c) Sale of Real or Personal Property. sell any real or personal property of SAMLARC with an aggregate fair market value in excess of five percent (5%) of said estimated Common Expenses during any fiscal year;

(d) Compensation. pay compensation to directors or to officers of SAMLARC for services performed in the conduct of SAMLARC's business; provided, however, the Board may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of SAMLARC. Nothing herein contained shall be construed to preclude any director or officer from serving SAMLARC as agent, counsel, or any capacity other than as such director or officer and receiving compensation therefor;

(e) Fill Vacancy on Board. fill a vacancy on the Board created by the removal of a director;

(f) Dissolve SAMLARC. dissolve SAMLARC or transfer all or substantially all of its assets

without the prior written consent of one hundred percent (100%) of the voting power of SAMLARC.

Section 6.03 - Additional Contractual Restrictions. Any agreement for professional management and any other contract providing for services of the Declarant, developer, sponsor or builder shall not exceed three (3) years in duration and shall be terminable (i) for cause on not more than thirty (30) days' written notice by SAMLARC, and (ii) without cause upon ninety (90) days' written notice by either party without payment of a termination fee, provided, however, no contract with SAMLARC negotiated by Declarant shall exceed a term of two (2) years.

Section 6.04 - Determination of Record Date:

(a) For Notice: The Board shall fix, in advance, a date as the record date for the purpose of determining the Members entitled to notice of any meeting of SAMLARC. Such record date shall not be more than ninety (90) days nor less than thirty-five (35) days before the date of the meeting. If the Board fails to fix such record date, the record date for the purpose of determining the Members entitled to notice of any meeting of SAMLARC shall be the close of business on the business day preceding the day on which notice is given or, if notice is waived, at the close of business on the business day preceding the record date established pursuant to the following section for purpose of determining the Members entitled to vote. A determination of Members entitled to notice of a meeting of SAMLARC shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting.

(b) To Vote: The Board shall fix, in advance, a date as the record date for the purpose of determining the Members entitled to vote on the action or directors to be approved at any SAMLARC meeting. Such record date shall not be more than sixty (60) nor less than five (5) days before the date of the meeting. Such record date shall also apply in the case of an adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. If the Board fails to fix such record date, the record date for the purpose of determining the Members entitled to vote on the action or directors to be approved shall be the close of business on the sixth (6th) day preceding the date of the meeting.

(c) To Cast Ballots: The Board may fix, in advance, a date as the record date for the purpose of determining the Members entitled to cast written ballots in accordance with the Section entitled "Approval of the Members" of the Article entitled "Meetings of SAMLARC" of these Bylaws. Such record date shall not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited. If no record date is fixed, Members on the day the first written ballot is mailed or solicited who are otherwise eligible to vote are entitled to cast written ballots.

(d) For Exercise of Rights: The Board may fix, in advance, a date as the record date for the purpose of determining the Members entitled to exercise any rights in respect of any other lawful action. Such record date shall not be more than sixty (60) days prior to such other action. If no record date is fixed, Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later, are entitled to exercise such rights.

Section 6.05 - Checks and Drafts. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to SAMLARC in excess of \$25,000 shall be signed or endorsed by the President and Chief Financial Officer. Any such items of a lesser amount may be signed or endorsed by such officer or officers, employee, employees, agent or agents of SAMLARC and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 6.06 - Contracts; How Executed. The Board, except as otherwise provided in these Bylaws, 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 SAMLARC, 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 SAMLARC by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 6.07 - Indemnification of Directors, Officers and Employees. To the maximum extent permitted by and in accordance with the requirements and procedures of

Section 7237 of the California Corporations Code or any successor statute thereof, as interpreted by the judiciary from time to time, SAMLARC shall reimburse, indemnify and hold harmless each present and future director, officer, employee or other "agent," to include, without limitation, a member of any committee, of SAMLARC (as such term is defined in said Section 7237 or any successor statute thereof) and each person who, at the request of SAMLARC, acts as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture or other enterprise, (hereinafter in this Section referred to as the "SAMLARC representative"), from and against all loss, cost, liability and expense which may be imposed upon or reasonably incurred by such SAMLARC representative including reasonable settlement payments, in connection with any claim, action, suit or proceeding, or threat thereof, made or instituted, in which such SAMLARC representative may be involved or be made a party by reason of being or having been a SAMLARC representative or by reason of any action alleged to have been taken or omitted by such SAMLARC representative in such capacity. The right of indemnification provided in this Section shall inure to each SAMLARC representative whether or not the claim asserted is based on matters which arose in whole or in part prior to the adoption of this Section, and in the event of the death of the SAMLARC representative, shall extend to the legal representatives of such person. The right of indemnification provided in this Section shall not be exclusive of any other rights to which any person, or any other individual, may be entitled as a matter of law, under any agreement or otherwise.

Section 6.08 - 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 Delegates at annual meetings of SAMLARC or at any special meeting where such statement is requested in writing by Delegates representing one-fourth (1/4) of the Members entitled to vote thereat.

Section 6.09 - Executive Committee. Any executive committee, empowered to act with the authority of the Board, must consist of at least two (2) directors. Any such committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

(a) any action for which the law requires approval of the Members or approval of a majority of all Members;

- (b) the filling of vacancies on the Board or on any committee which has the authority of the Board;
- (c) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (d) the appointment of other committees of the Board or the members thereof;
- (e) the approval of any self-dealing transaction with respect to assets held in charitable trust except as provided in Section 5233(d) of the California Corporations Code or any successor statute thereof.

ARTICLE VII

Officers

Section 7.01 - Officers. The officers shall be a President, a Vice President, a Secretary and a Chief Financial Officer which officers shall be elected by and hold office at the pleasure of the Board. Any two (2) or more of such offices, except those of President and Secretary, may be held by the same person. All offices except the President and Vice President may be held by someone who is not a member of the Board. A person may serve as an officer only as long as such person is not a director or officer of a Subordinate Maintenance Corporation.

Section 7.02 - Election. The officers of SAMLARC, except such officers as may be appointed in accordance with the provisions of the Sections entitled "Subordinate Officers" and "Vacancies" of this Article, 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 7.03 - Subordinate Officers. The Board may appoint such other officers as the business of SAMLARC 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 7.04 - 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 SAMLARC. 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.

Section 7.05 - 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 7.06 - President. The President shall be the chief executive officer of SAMLARC and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of SAMLARC. 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 other powers and duties as may be prescribed by the Board or these Bylaws.

The President shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of SAMLARC in excess of \$25,000.

Section 7.07 - 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 7.08 - Secretary. The Secretary 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 and proceedings of the Board and its committees and of SAMLARC, with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at such meetings and the proceedings thereof.

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 names of the Delegates and their addresses; (5) the number and class of memberships held 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 SAMLARC and of the Board required by the Bylaws or by law to be given, and he shall keep the seal of SAMLARC 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 7.09 - Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of SAMLARC. The books and records of account shall at all reasonable times be open to inspection by any director or by any Member.

The Chief Financial Officer shall sign all checks and promissory notes of SAMLARC in excess of \$25,000, shall supervise and monitor any checks and promissory notes of lesser amounts signed or endorsed by any officers, employees, or agents authorized by the Board and the deposit of all monies and other valuables in the name and to the credit of SAMLARC with such depositories as may be designated by the Board. He shall disburse the funds of SAMLARC as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of SAMLARC, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VIII

Budget and Financial Statements

Section 8.01 - Distribution of Financial Statements. The financial statements described in this Article shall be prepared and distributed to each Member and to holders, insurers and guarantors of First Mortgages at the times and in the manner provided in this Article.

Section 8.02 - Budget. The Board shall cause to be sent to each Member not less than forty-five (45) days nor more than sixty (60) days before the beginning of each fiscal year a pro forma operating statement (budget) for such fiscal year consisting of, without limitation, the following information:

(a) estimated revenue and expenses on an accrual basis;

(b) the amount of the total cash reserves of SAMLARC currently available for replacement or major repair of common facilities and for contingencies;

(c) 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 facilities and areas for which SAMLARC is responsible;

(d) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common facilities and areas for which SAMLARC is responsible; and a statement of SAMLARC's policies and practices in enforcing lien rights or other legal remedies against Members for defaults in the payment of Assessments.

Section 8.03 - Balance Sheet. Within sixty (60) days of the Accounting Date (as hereinafter defined) the Board shall cause to be sent to each Member:

(a) a balance sheet as of the Accounting Date; and

(b) an operating (income) statement for the period from the date of the first conveyance of a Residence to the Accounting Date. Said income statement shall include a schedule of Assessments received or receivable, itemized for each Residence within the Covered Property and identified by the numbers of each Residence and the name of the person or entity assessed therefor.

As used in this subsection, "Accounting Date" shall mean the last day of the month closest in time to six (6) months from the date of the first conveyance of a Residence.

Section 8.04 - Annual Report. The Board shall cause an annual report containing the following to be distributed to each Member within one hundred twenty (120) days after the close of SAMLARC's fiscal year:

- (a) a balance sheet as of the end of such fiscal year;
- (b) an operating (income) statement for such fiscal year;
- (c) a statement of changes in financial position for such fiscal year;
- (d) a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State of Accountancy;
- (e) a statement of the place where the names and addresses of the current Members may be found;
- (f) any information regarding insider transactions required to be reported by Section 8322 of the California Corporations Code or any successor statute thereof.

Upon written request of a Member as required under Section 8321 of the California Corporations Code, the Board shall promptly cause to be mailed to such Member a copy of the most recent annual report.

Section 8.05 - Rights of First Mortgagees. In the event the Covered Property contains fifty (50) or more Residences, SAMLARC must provide at its expense an audited statement for the preceding fiscal year of SAMLARC to any holder, insurer or guarantor of any First Mortgage secured by a Residence who has submitted a written request therefor or, if such audited statement is not then completed and available, within one hundred twenty (120) days after the close of such fiscal year. In the event there are fewer than fifty (50) Residences within the Covered Property, and there is no audited statement available, any mortgage holder shall have the right to have an audited statement prepared at its own expense.

ARTICLE IX

Inspection of Records

Section 9.01 - Inspection By Members, Holders, Insurers and Guarantors. The SAMLARC Management Documents, the membership register, books and records of account, financial statements, minutes of meetings of SAMLARC, of the Board, of Delegate Districts, and any committees of the Board, shall be made available for inspection and copying by any prospective purchaser of a Residence, any Delegate, any Member or his duly-appointed representative, any holder, insurer or guarantor of a First Mortgage secured by a Residence at any reasonable time during normal business hours or under other reasonable circumstances and for a purpose reasonably related to their interest as a prospective purchaser, Delegate, Member, holder, insurer or guarantor, at the principal office of SAMLARC or such other place within the Covered Property as the Board shall prescribe, all as provided in the Corporations Code of the State of California.

Section 9.02 - Rules For Inspection. The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Delegate or Member desiring to make the inspection; hours and days of the week when such inspection may be made; and payment of the cost of reproducing copies of documents requested by a Delegate or Member.

Section 9.03 - Inspection By Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of SAMLARC and the physical properties owned or controlled by SAMLARC, all as provided in the Corporations Code of the State of California. Without limiting the generality of the foregoing, the right of inspection by a director includes the right to make extracts and copies of documents.

Section 9.04 - Inspection by Company. Company shall have the absolute right at any reasonable time to inspect all books, records, contracts or other documents impacting the Common Expenses of SAMLARC as long as Company or any Declarant is subsidizing SAMLARC in any manner, including, without limitation, the payment of any portion of Assessments levied against all other Owners, direct payment of Common Expenses, or by providing maintenance or other services that would otherwise be provided by SAMLARC.

ARTICLE X

Discipline of Members

Section 10.01 - SAMLARC Rules. The Board shall also have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable (the "SAMLARC Rules") which may include provisions that authorize the Board to impose monetary penalties, temporary suspensions of an Owner's rights as a Member or other appropriate discipline for failure to comply with the SAMLARC Management Documents 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 is reached. The SAMLARC Rules shall govern such matters in furtherance of the purposes of SAMLARC, including, without limitation, the nonpayment of Assessments, destruction of common property or a violation of use restrictions and the use of the Community Property; provided, however, that the SAMLARC Rules may not discriminate among Owners, shall not be inconsistent with the Declaration, the Articles or Bylaws and shall not empower SAMLARC to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Residence on account of the failure of such Owner to comply with the provisions of the SAMLARC Management Documents, except by judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments duly levied by SAMLARC. A copy of the SAMLARC Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the SAMLARC Rules shall be delivered to each Owner in the same manner established in the Declaration for the delivery of notices. Upon completion of the notice requirements, said SAMLARC Rules shall have the same force and effect as if they were set forth in and were part of the Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby.

Section 10.02 - Enforcement. The Board shall have the right to suspend the voting rights and right to use the recreational facilities located within the Covered Property of a Member who is in default in the payment of any Assessment for any period during which such Assessment remains unpaid, and for a period not to exceed thirty (30) days for any infraction of its SAMLARC Rules. A decision cannot be made and discipline cannot be imposed by SAMLARC unless the Member is given fair and reasonable notice and

a hearing at which such Member has the right to present oral and written evidence and to confront and cross-examine adverse witnesses. The procedural requirements are mandated by California Corporations Code Section 7341, and any successor statute thereof, and until such Section of the Corporations Code is amended or supplemented to provide otherwise, shall be as set forth in the Section entitled "Notice and Hearing; Correction of Violation" of this Article.

Section 10.03 - Notice and Hearing; Correction of Violation. Until the provisions of Section 7341 of the California Corporations Code are supplemented or amended to provide otherwise, the following is the procedure for notice and hearing and for the correction of violation:

(a) Upon finding by the Board of a violation of any provision of the SAMLARC Management Documents for which notice and hearing is required, the Board shall give notice of the violation to the Owner which notice shall be given at the time and in the manner prescribed for notices in the Section entitled "Notices" of the Article entitled "General Provisions" of the Declaration, and shall briefly describe the violation and set a date for a hearing before the Board or a committee selected by the Board for such purpose. The Board may delegate its powers under this Section to a duly appointed committee of SAMLARC.

(b) Such hearing shall be held not less than thirty (30) days nor more than sixty (60) days from the date of said written notice to the accused Owner.

(c) Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt which shall provide the Owner with the right to present oral and written evidence and to confront and cross-examine any person offering at such hearing evidence adverse to such Owner. The Board or any such committee shall deliver to the accused Member within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor. In the event the correction of such violation also requires additional time in which the violation can be corrected (such as, and without limitation, for any installation, removal, repair, replacement, reconstruction or maintenance of improvements), the Board or any such committee shall set another date by which the violation is to be corrected by the Owner.

A decision of such committee may be appealed to the Board but a decision of the Board shall be final.

(d) If the violation is one that requires corrective work, and continues to exist after the time limitation imposed by a final decision of the Board or such committee, the Board or such committee may cause such corrective work to be accomplished. In such event the Board shall give written notice of such election to the violating Owner and the following shall apply:

(i) The Owner shall have no more than ten (10) days following receipt thereby of said written notice of election in which to select a day or days upon which such corrective work shall be accomplished;

(ii) The date which said Owner selects shall be not less than ten (10) days nor more than thirty (30) days following the last day of the ten (10) day period specified in such notice of election;

(iii) If said Owner does not select such day or days within the ten (10) day period specified in such notice of election, the Board or such committee may select a day or days upon which such corrective work may be accomplished which shall be not less than twenty-five (25) nor more than fifty-five (55) days from the last day of the ten (10) day period specified in such notice of election; and

(iv) Unless the Owner and the Board otherwise agree, such corrective work shall take place only during daylight hours on any day, Monday through Friday, excluding holidays.

(e) If SAMLARC pays for all or any portion of such corrective work required to correct a violation, such amount shall be reimbursed by the affected Owner.

Notwithstanding the foregoing, judicial proceedings must be instituted before any items of construction can be altered or demolished.

ARTICLE XI

Amendment Provisions

Section 11.01 - Powers of Members. These Bylaws may be amended or repealed by the vote or written assent of a majority of the voting power of each class of membership, or the vote or written assent of a majority of the voting power of SAMLARC and a majority of the votes by Members other than the Declarant as set forth in the Section entitled "Voting Requirements for Certain Actions" of the Article entitled "Membership Voting Rights" of the Declaration. Notwithstanding the above, the percentage of the voting power of SAMLARC or of Members other than the Declarant necessary to amend a specific clause or provision in these Bylaws or in SAMLARC Rules shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision. An amendment to this Section or any other Section of these Bylaws pertaining to voting rights must further have the approval of the voting power of the Members and of Eligible Mortgage Holders as provided in the Section entitled "Vote of Eligible Mortgage Holders and Owners" of the Article entitled "Mortgagee Protection" of the Declaration.

Section 11.02 - Record of Amendments. Whenever an amendment or new Bylaw is adopted it shall be placed in the book of Bylaws in the appropriate place. If any Bylaw 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.

Section 11.03 - FHA/VA. Anything stated in this Article to the contrary notwithstanding, no material amendment to the Bylaws shall be made without the prior written approval of Mortgagees holding seventy-five percent (75%) of the First Mortgages encumbering Residences; provided, further, that so long as there remains a Class B membership in SAMLARC, any amendments to these Bylaws must have the prior approval of FHA and VA.

ARTICLE XII

Miscellaneous

Section 12.01 - 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 12.02 - Fiscal Year. The fiscal year of SAMLARC shall begin on the first day of January and end on the thirty-first (31st) day of December of each year, except that the first fiscal year shall begin on the date of incorporation. However, the fiscal year of SAMLARC is subject to change from time to time as the Board shall determine.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

(1) That I am the duly elected and acting secretary of Rancho Santa Margarita Landscape and Recreation Corporation, a California nonprofit mutual benefit corporation; and

(2) That the foregoing Bylaws, comprising 36 pages constitute the original Bylaws of said corporation as duly adopted on April 1, 1986.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 1st day of April, 1986.

Spencer E. Hine
Secretary