

BY-LAWS

OF

WEST HIGHLAND PACIFIC HOMEOWNERS ASSOCIATION
a California Nonprofit Mutual Benefit Corporation

ARTICLE I
NAME AND LOCATION OF PRINCIPAL OFFICE

The name of the corporation is WEST HIGHLAND PACIFIC HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association". The principal office of the Association shall be located in the County of San Diego, State of California.

ARTICLE II
DEFINITIONS

The definitions of the terms contained in Article I of the Declaration of Covenants, Conditions and Restrictions of West Highland Pacific Homeowners Association recorded in the Office of the County Recorder of the County of San Diego (the "Declaration") are incorporated herein by reference, and shall apply to those same terms as they may appear in these By-Laws.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS

The membership and voting rights provisions contained in Article II of the Declaration are incorporated herein by reference.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of Members shall be held not later than the first to occur of the following: (a) six (6) months after the close of escrow for the sale of the first Subdivision Interest by Declarant; or (b) forty-five (45) days after close of escrow of the Subdivision Interest that represents the 51st percentile interest authorized for sale under the first final subdivision public report issued for the Project by the California Department of Real Estate. Subsequent annual meetings of Members shall be held one year from the date of the first annual meeting, or at such other date or time as may be fixed by the Board, but in no event shall an annual meeting be held less than once each calendar year. Should any annual meeting day fall upon a legal holiday, then such annual meeting of Members shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday.

Section 2. Special Meetings. Special meetings of Members for any purpose or purposes shall be promptly called by: (i) directors upon the vote for such a meeting by a majority of the directors present at a meeting duly held, provided that those directors present represent at least a quorum of the Board; or (ii) written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association.

Section 3. Notice of Meetings. Notice of all Members' meetings, annual or special, shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each Member and to any Mortgagee who has requested in writing to receive such notice. Any Mortgage, or its designated representative, shall be entitled to attend

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any such meeting, but shall not be entitled to vote at the meeting. The notice shall be given personally, or by first-class, registered, or certified mail addressed to the Member or Mortgagee at the address of such Member or Mortgagee appearing on the books of the Association or given by the Member or Mortgagee to the Association for purpose of notice. If no address appears or is given for any Member, notice may be given at the Association's principal office or by publication at least once in a newspaper of general circulation. The notice shall state the place, date, and time of the meeting. If directors are to be elected at the meeting, the notice shall include the names of all those who are nominees at the time notice is given. In the case of a special meeting, the notice shall state the general nature of the business to be transacted and no other business may be transacted. In the case of the annual meeting, the notice shall state those matters that the Board intends, at the time the notice is given, to present to the Members for action, but any proper matter may be presented at the meeting for action subject to the special notice requirements described in Section 4 of this Article IV of these By-Laws. Notwithstanding the foregoing, the Members may vote only on those matters for which notice was given in any meeting where the quorum requirement as described in Section 5 of this Article IV of these By-Laws is less than one-third of the voting power of the Association and Members holding less than one-third actually attend.

Section 4. Special Notice Requirements. Approval by the Members of any of the following proposals, other than by unanimous approval of those Members entitled to vote, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (i) removing a director without cause;
- (ii) filling vacancies on the Board;
- (iii) amending the Articles;
- (iv) approving a contract or transaction between the Association and one or more directors, or between the Association and any entity in which a director has a material financial interest;
- (v) electing to wind up and dissolve the Association; or
- (vi) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of Members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Section 5. Quorum- Adjournment of Meetings. The presence at any meeting in person or by proxy of Members entitled to cast at least twenty-five percent (25%) of the total votes of all Members shall constitute a quorum. Any Members' meeting, whether or not a quorum is present, may be adjourned from time to time for any reason by a vote of the Members representing a majority of the voting power of the Members present at the meeting, either in person or by proxy, to another time not less than five (5) days nor more than thirty (30) days from the date of the original meeting. If the time and place of the adjourned meeting is announced prior to the adjournment of the original meeting, no notice of the adjourned meeting is required, provided that if a new date is fixed for the adjourned meeting after the adjournment of the original meeting, notice of the date, time and place of the adjourned meeting shall be given to Members in the manner prescribed in Section 3 of Article IV of these By-Laws. Any business that might have been transacted at the original meeting may be transacted at the adjourned meeting. In the absence of a quorum no business may be transacted at the meeting other than to adjourn the meeting to another time. If a meeting is adjourned because twenty-five percent (25%) is not present, the quorum requirement at the adjourned meeting shall be of the total votes of all members. The Members present at a duly called or held meeting at which twenty-five percent (25%) is present may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than twenty-five percent (25%).

Section 6. 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. The maximum term of any proxy shall be three years from the date of

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execution. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Subdivision Interest. Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with the choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid. Subject to the foregoing, the use and form of a proxy shall be in compliance with the provisions of Section 7613 of the California Corporations Code. Any proxy or written ballot that is distributed to ten (10) or more Members shall satisfy the requirements of Section 7514(a) of the California Corporations Code if the Association has one hundred (100) or more Members.

Section 7. Place of Meetings. Members' meetings shall be held within the Project as designated by the Board or at a meeting place as close thereto as possible if there is not an available or appropriate place within the Project. Unless unusual conditions exist, a meeting shall not be held outside the County in which the Project is situated.

Section 8. Order of Business. The order of business of all meetings of the Members shall be as follows:

- (i) roll call;
- (ii) proof or notice of meeting or waiver of notice;
- (iii) reading of minutes of preceding meeting;
- (iv) reports of Board and officers;
- (v) election of directors, if any are to be elected;
- (vi) unfinished business; and
- (vii) new business.

Section 9. Parliamentary Procedure. All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order or other parliamentary procedures as may be adopted by the Board.

Section 10. Action Without a Meeting. Any action which may be taken by the vote of Members at an annual or special meeting, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code. Any action that may be taken at any meeting of the Members, except the election of directors, may be taken by written ballot if the following requirements are satisfied:

- (i) The Association distributes a written ballot to each Member entitled to vote on the matter. The ballot shall be given personally, or by first-class, registered, or certified mail addressed to the Member at the address of such Member appearing on the books of the Association or given by the Member to the Association for purpose of notice. The ballot shall provide a reasonable time within which to be returned. If ballots are distributed to ten (10) or more Members and the Association has one hundred (100) or more Members, the requirements of California Corporations Code Section 7514 shall be satisfied.
- (ii) Each ballot shall set forth: (a) the proposed action, (b) an opportunity to specify approval or disapproval of any proposal, (c) confirmation that, if the Member specifies a choice, the vote shall be cast in accordance with the Member's choice, (d) the time by which the ballot must be received by the Association in order to be counted, (e) the number of responses needed to

meet the quorum requirement, and (f) the percentage of approvals necessary to approve the proposed action.

- (iii) The proposed action shall be considered approved by written ballot if (a) within the time period specified the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and (b) the number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.
- (iv) A written ballot may not be revoked.

Section 11. Consent of Absentees. The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 12. Voting. The voting of the Members may be *viva voce* or by ballot; provided, however, all elections for directors shall be by secret written ballot.

ARTICLE V
BOARD OF DIRECTORS: ELECTION AND TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) directors, who need not be Members of the Association. At least one director shall be a citizen of the United States.

Section 2. Term of Office. The initial directors shall be elected either by the incorporator of the Association or by the Members as soon as practical after the incorporation of the Association, and shall hold office until the first annual meeting of the Members as specified in Section 1 of Article IV of these By-Laws. At the first annual meeting, the Members shall elect directors to fill all the positions on the Board. Unless the office is vacated sooner as provided in Section 3 of Article V of these By-Laws, each director shall hold office until his or her term expires and a successor has been elected and qualified. At the first annual meeting of Members, the Members shall elect five (5) directors as follows: three (3) directors for a term of two (2) years and two (2) directors for a term of one (1) year; successor directors shall be elected at the next annual meeting corresponding to the expiration of the terms. The five (5) directors' positions shall retain their respective terms of office after the expiration of their initial terms (i.e., two (2) years or one (1) year). Any director may resign effective on giving written notice to the president, the secretary, or the Board, unless the notice specifies a later time for the effectiveness of such resignation.

Section 3. Vacancies. A vacancy or vacancies on the Board shall exist on the occurrence of any of the following: (i) the death of any director, (ii) the effective date of any director's resignation, (iii) the removal of a director by vote of the Members, or by vote of a majority of all the votes entitled to be cast by all the Members if the Association has less than fifty (50) Members, provided that, if applicable, the vote for removal satisfied the requirements contained in the cumulative voting or specially elected director provisions in Section 2 of Article VI of these By-Laws, (iv) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by

an order of court or convicted of a felony, (v) the increase in the authorized number of directors, or (vi) the failure of the Members, at any meeting of the Members at which any director or directors are to be elected, to elect the number of directors required to be elected at that meeting. Vacancies in the Board, except for a vacancy created by the removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting called for that

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purpose. The Members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment by the By-Laws is voted authorizing an increase in the number of directors. If any director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

Section 4. Compensation. A director shall not receive any compensation for any services rendered to the Association as a director; provided that directors may be reimbursed for actual out-of-pocket expenses incurred in the performance of their duties.

ARTICLE VI NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Except for the initial directors elected by the incorporator or the Members as provided in Section 2 of Article V of these By-Laws, or representatives of Declarant, nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a Chairman, who shall be a director, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or nonmembers.

Section 2. Voting. All elections for directors shall be by secret written ballot. Cumulative voting is required for all elections in which more than two (2) directors are to be elected, subject to the procedural prerequisites prescribed in Section 7615(b) of the California Corporations Code. A Member shall be entitled to cumulate his or her votes for one or more candidates for the governing body, if the candidate's name has been placed in nomination prior to voting, and if the Member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. If any one Member has given such notice, all Members at any election for directors, subject to the foregoing, shall have the right to cumulate votes and give one (1) candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he or she is entitled, or to distribute his or her votes on the same principle among as many candidates as he or she shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Unless the entire Board is removed from office by the vote of the Members, an individual director shall not be removed prior to the expiration of his or her term of office if the number of votes cast against his or her removal or not consenting in writing to his or her removal would be sufficient to elect him or her if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of the governing Board member were then being elected. Any director elected to office solely by the votes of Members other than Declarant as provided below may be removed from office prior to the expiration of his or her term only upon the vote of a simple majority of the voting power of Members other than Declarant. Notwithstanding the foregoing, if at the first election of directors by Members and thereafter for so long as (a) Declarant holds a majority of the voting power of the Association or (b) two (2) classes of membership are outstanding, Members other than Declarant do not have sufficient voting power to elect at least twenty percent (20%) of the directors by the exercise of cumulative voting or otherwise, the number of positions on the Board necessary to meet the twenty percent (20%) requirement shall be filled by nominees elected by Members other than Declarant (the "specially elected" directors). Nominations for specially elected directors may be made by any Member other than Declarant by submitting a written nomination before the meeting to the Secretary of the Association, or by placing a name in nomination at the meeting prior to the vote. A specially elected director may be removed prior to the expiration of his or her term only by the vote or written assent of Members other than Declarant who hold a majority of the voting rights other than the voting rights held by Declarant. In case of the death, resignation, or removal of a specially elected director, a successor shall be elected by Members other than Declarant to hold office for the unexpired term of his or her predecessor and until a successor has been elected and qualified. Except as otherwise provided in this section, the

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provisions of this Declaration, the Articles, and the By-Laws, applicable to directors, including their election, removal, rights, and duties, shall apply to specially elected directors.

ARTICLE VII MEETINGS OF DIRECTORS

Section 1. Annual Organizational Meeting. An annual meeting of the Board for the purpose of organization, election of officers and the transaction of other business shall be held immediately following the adjournment of the annual meeting of the Members. Notice of such meeting is hereby dispensed with.

Section 2. Regular Meetings and Notice Thereof. At each annual organizational meeting, the Board shall adopt a schedule setting forth the time, date and place of other regular meetings of the Board to be held at least monthly during the forthcoming year; provided, however, that if the business to be transacted by the Board does not require such frequent meetings, then the Board may meet as infrequently as quarterly. The Board may change the schedule of regular meetings at any time in its discretion. Notice of the time, date and place of a regular meeting shall be posted at a prominent place or places within the Common Area and shall be communicated to the directors not less than four (4) days prior to such meeting; provided, however, that notice of a regular meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate notice of the time and place of such meeting by any means it deems appropriate.

Section 3. Special Meetings and Notice Thereof. Special meetings of the Board may be called at any time by the President or, if he or she is unable or refuses to act, by any two (2) directors. Written notice of the time and place of special meetings and the nature of any special business to be considered shall be posted in the same manner set forth above for regular meetings and shall be sent to all directors by first-class mail not less than four (4) days prior to the scheduled time of the meeting; provided, however, that notice of a special meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 4. Quorum. A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be the act of the Board subject to the requirements of California Corporations Code Section 721 l(a)(8), including, without limitation, the requirements relating to (i) approval of contracts or transactions between the Association and one or more directors or between the Association and any entity in which a director has a material financial interest, (ii) creation of and appointments to committees of the Board, and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 5. Adjournment. A quorum of the directors may adjourn any directors' meeting to meet again at a stated time and hour; provided, however, that in the absence of a quorum, a majority of directors present at the directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 6. Entry of Notice. Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall constitute a rebuttable presumption that due notice of such special meeting was given to such director as required by law and these By-Laws.

Section 7. Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than twenty-four (24) hours. If the original meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

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Section 8. Meeting Place. All regular and special meetings of the Board shall be held at any place within the Project except that an annual organizational meeting held in conjunction with a meeting of the membership may be held outside the Project in a convenient place within San Diego County as close as possible to the Project when there is not an adequate meeting place within the Project.

Section 9. Waiver of Notice. Notice of a meeting need not be given any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the Association's records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice of him or her.

Section 10. Open Meetings. As used this Article VII, "meeting" includes any congregation of a majority of the directors of the Board at the same time and place to hear, discuss or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session. Unless the time and place of meeting is fixed by these By-Laws, or unless these By-Laws provide for a longer period of notice, Members of the Association shall be given notice of the time and place of a meeting, except for an emergency meeting, at least four (4) days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the common area, by mail or delivery of the notice to each unit in the development, or by newsletter or similar means of communication. Meetings of the Board shall be open to all Members; provided, however, that Members who are not on the Board may not participate in any deliberations or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

Section 11. Executive Sessions. 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, matters relating to the formation of contracts with third parties, member discipline and orders of business of a similar nature. In addition, on request of any Member who may be subject to a fine, penalty or other form of discipline, the Board shall meet in executive session to discuss the disciplinary matter, and the Member shall be entitled to attend the executive session. The nature of any and all business to be considered in executive session shall first be announced in open session. Only directors shall be entitled to attend executive sessions.

Section 12. Action Without Meeting. The Board may take action without a meeting if all of its members consent in writing to the actions to be taken. If the Board resolves by unanimous written consent to take an action, an explanation of the action to be taken shall be given by the Board to the Members of the Association within three (3) days after all written consents have been obtained in the manner provided in Article VII, Section 2 hereof for the giving of notice of regular meetings of the Board.

Section 13. Emergency Meetings. An emergency meeting of the Board may be called by the President of the Association, or by any two (2) directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required by this Article.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board shall have power to exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these By-Laws, the Articles, or the Declaration, which powers, duties and authority so vested or delegated shall not be inconsistent with law. In addition, the Board shall appoint and remove at its pleasure all officers, agents and employees of the Association and

shall prescribe powers and duties for them that are consistent with the Declaration, the Articles, these By-Laws, and any applicable laws.

Section 2. Duties. The Board shall:

- (a) be responsible for the performance of the duties of the Association as set forth in the Declaration;
- (b) cause to be kept a complete record of all its acts and corporate affairs, said records to include but not be limited to a membership register, book of account and minutes of meetings of the Members, and of the Board, and to present a statement thereof to the Members at the annual meetings of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;
- (c) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed; and
- (d) at least once every three (3) months, review the following:
 - (1) a current reconciliation of the Association's operating accounts.
 - (2) a current reconciliation of the Association's reserve account.
 - (3) the current year's actual reserve revenues and expenses compared to the current year's budget.
 - (4) the latest account statements prepared by the financial institution where the Association has its operating and reserve accounts.
 - (5) an income and expense statement for the Association's operating and reserve accounts.

Section 3. Standard of Care. Each director shall perform his or her duties as a director, including the duties as a member of any committee of the Board on which the director serves, in good faith, in a manner such director believes to be in the best interests of the Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 4. Committees of the Board. The Board, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of two or more members, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the directors then in office. The Board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the resolution of the Board, shall have all of the authority of the Board, except that no committee, regardless of Board resolution, may:

- (i) take any final action on any matter which, under the Declaration or the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members or approval of a majority of all Members;
- (ii) fill vacancies on the Board or on any committee which has the authority of the Board;
- (iii) amend or repeal these By-Laws or adopt new by-laws;
- (iv) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;

- (v) appoint any other committees of the Board or the members of those committees; or
- (vi) expend corporate funds to support a nominee for director after there are nominees that can be elected.

Meetings and actions of committees of the Board shall be governed by, held, and taken in accordance with, the provisions of these By-Laws concerning meetings and other actions of the Board, except that the time for regular meetings of such committees and calling of special meetings of such committees may be determined either by resolution of the Board or, in the absence of a Board resolution, by resolution of the committee. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these By-Laws, or in the absence of rules adopted by the Board, the committee may adopt such rules.

Section 5. Due Process Requirements. Before the Board imposes any monetary penalties, or suspensions of membership rights or Common Area use privileges against any Member for failure to comply with the Declaration, these By-Laws, or Association Rules, the Board must act in good faith and must satisfy each of the following requirements:

- (i) The Member is given fifteen (15) days prior notice of the discipline to be imposed and the reasons for the imposition of the discipline. The notice may be given by any method reasonably calculated to give actual notice. If the notice is given by mail, it must be sent by first class or registered mail to the last address of the Member as shown on the Association's records.
- (ii) The Member is given an opportunity to be heard, orally or in writing, by the Board, not less than five (5) days before the effective date of the imposition of the discipline.

ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a President and one or more Vice Presidents, who shall at all times be directors, a Secretary, and a Chief Financial Officer and such other officers as the Board may from time to time by resolution create.

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

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

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

Section 5. Removal and Resignation. Any officer may be removed either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board, or except in case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board. Any officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

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

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

President

- (a) The President shall be the chief executive officer of the Association, and subject to the control of the Board, have general supervision, direction and control of the business and officers of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board. The President shall be ex-officio a member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board or by these By-Laws. The President shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of the Association. The President shall see that orders and resolutions of the Board are carried out.

Vice-President

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

Secretary

- (c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association, and copies of the Articles and By-Laws, as amended to date; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Chief Financial Officer

- (d) The Chief Financial Officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members; and shall have such other powers, and perform such other duties as may be prescribed by the Board or the By-Laws.

Section 9. Compensation. Officers shall not receive any compensation for any service rendered to the Association as an officer, provided that any officer may be reimbursed for actual out-of-pocket expenses incurred in the performance of his or her duties.

ARTICLE X
BOOK AND RECORDS

Section 1. Inspection. The original or a copy of these By-Laws as amended or otherwise altered to date, certified by the Secretary, the membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, the Board and of committees of the Board shall be kept at the office

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of the Association or at such other place within the Project as the Board shall prescribe and shall be made available for inspection and copying by any Member of the Association, or by his duly-appointed representative and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to his interest as a Member or as a first Mortgagee, whatever the case may be. The governing body shall establish reasonable rules with respect to:

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

Section 2. Inspection by Members. Subject to the Board's right to promulgate and enforce the rules described in Section 1 of this Article X, every Member shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Member shall include the right, at his expense, to make extracts and copies of documents.

Section 3. Minutes of Meeting. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any meeting of the Board, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member on request and on reimbursement of the Association's costs of reproduction. The Members shall be notified in writing at the time that the pro forma budget required in Civil Code Section 1365 is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board, how and where those minutes may be obtained, and the cost of obtaining them.

Section 4. Delivery of Documents by Declarant.

(a) Commencing not later than ninety (90) days after the close of escrow of the first Subdivision Interest, copies of the documents listed below, as soon as readily obtainable, shall be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the documents listed below shall apply to any documents obtained by Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the last Subdivision Interest covered by a subdivision public report or (2) three (3) years after the expiration of the most recent public report for a Subdivision Interest in the Project:

- (1) The recorded subdivision map or maps for the Project.
- (2) The deeds and easements executed by Declarant conveying the Common Area or other interest to the Association, to the extent applicable.
- (3) The recorded covenants, conditions and restrictions for the Project, including all amendments and annexations thereto.
- (4) The Association's filed Articles of Incorporation, if any, and all amendments thereto.
- (5) The Associations Bylaws and all amendments thereto.
- (6) All architectural guidelines and all other rules regulating the use of an Owner's interest in the Project or use of the Common Area which have been promulgated by the Association.
- (7) The plans approved by the local agency or county where the Project is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may

bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.

- (8) All notice of completion certificates issued for Common Area improvements (other than residential structures).
- (9) Any bond or other security device in which the Association is the beneficiary.
- (10) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements.
- (11) Any insurance policy procured for the benefit of the Association, the Board or the Common Area.
- (12) Any lease or contract to which the Association is a party.
- (13) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, of the Board and of committees of the Board.
- (14) Any instrument referred to in Section 11018.6(d) of the Business and Professions Code but not described above which establishes or defines the common, mutual or reciprocal rights or responsibilities of Members of the Association.

(b) Commencing not later than ninety (90) days after the annexation of additional phases to the Project, copies of those documents listed under subparagraph (a) which are applicable to that phase, shall, as soon as readily obtainable be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the documents listed in subparagraph (a) shall apply to any documents obtained by Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the last Subdivision Interest covered by a subdivision public report or (2) three (3) years after the expiration of the most recent public report for a Subdivision Interest in the Project.

ARTICLE XI CORPORATE SEAL

The Association may elect to have a corporate seal, which shall be circular in form, and shall have inscribed thereon the name of the Association, the date of its incorporation and the word "California".

ARTICLE XII AMENDMENTS

Section 1. Amending the Bylaws. If a two-class voting system is in effect, these Bylaws may be amended by vote or written assent of a majority of the voting power of each class of Members of the Association. If a one-class voting system is in effect, these Bylaws may be amended by the vote or written assent of a majority of the voting power of all the Members of the Association and a majority of the voting power of all of the Members of the Association other than Declarant.

Section 2. Amending the Articles. If a two-class voting system is in effect, the Articles may be amended by vote or written assent of a majority vote of the Board and a majority of the voting power of each class of Members of the Association. If a one-class voting system is in effect, the Articles may be amended by a majority vote of the Board, a majority of the voting power of all the Members, and a majority of the voting power of all Members other than Declarant.

Section 3. Amendment Restrictions. Notwithstanding the amendment requirements contained in Sections 1 and 2 of this Article XII of these Bylaws, the percentage of the voting power of the Association or of Members other than the Declarant necessary to amend a specific clause or provision in these Bylaws or the Articles shall not be less than the prescribed percentage of affirmative votes required for action to be taken under the clause or provision; and, if applicable, any amendment to the Articles or Bylaws shall satisfy the requirements of California Business and Professions Code Section 11018.7 and the requirements of the Declaration regarding the consent of first Mortgagees.

Notwithstanding the above or any other section of these By-Laws, the percentage of the voting power of the Association or of Members other than the Declarant necessary to amend a specific clause or provision of these By-Laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision. If applicable, any amendment to the Articles or By-Laws shall satisfy the requirements of California Business and Professions Code Section 11018.7, and the requirements of the Declaration regarding the consent of first Mortgagees.

ARTICLE XIII MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on January 1 and end on December 31 of each calendar year except that the first fiscal year shall begin on the date of incorporation. However, the fiscal year is subject to change from time to time, as the Board may determine.

Section 2. Checks, Draft, Etc. Unless the Board authorizes more stringent requirements, any check or other negotiable instrument issued by the Association shall require the joint signatures of: (1) (a) any one of the following officers: the President, the Chief Financial Officer, or the Secretary; and (b) an authorized principal or employee of the Professional Manager; or (2) two of the following officers of the Association: the President, the Chief Financial Officer or the Secretary; provided that under all circumstances the withdrawal of any money from the Association reserve accounts shall require the signatures of at least two people who shall either be members of the Board or one member of the Board and one officer who is not a member of the Board. For all purposes herein, "reserve accounts" shall mean money that the Association's Board has identified from its annual budget for use to defray the future repair of, replacement of, or additions to those major components that the Association is obligated to maintain."

Section 3. Contracts, Etc., How Executed. The Board, except as in the By-Laws otherwise provided, may authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 4. Construction. Unless the context otherwise requires, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular.

ARTICLE XIV INDEMNIFICATION AND INSURANCE

Section 1. Indemnification Right and Power. The Association shall indemnify any agent of the Association who was a party to any proceeding by reason of the fact that the person is or was an agent of the Association against expenses actually and reasonably incurred in any proceeding to the extent that the agent was successful on the merits in defense of the proceeding or in defense of any claim, issue, or matter therein. Expenses shall include any attorneys' fees and any other expenses of establishing a right to indemnification. The Association may indemnify any agent of the Association who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred in connection with such proceeding provided the approval requirements described in Section 2 below have been satisfied. For purposes of this Article XIV of these By-Laws, the term "agent" means any present or former director, officer, employee, or other agent

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of the Association, the term "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, and the term "expenses" includes judgments, fines, or settlements occurring in any proceeding other than a proceeding brought by or on behalf of the Association.

Section 2. Indemnification Approval. Unless indemnification is required as provided in Section 1 of this Article XIV of these By-Laws, indemnification shall be made only if authorized in the specific case on a determination that indemnification is proper in the circumstances because the agent satisfied the appropriate standard of care described in Section 3 below. The determination must be made by one of the following methods:

- (i) A majority vote of a quorum of the Board consisting of directors who are not parties to the proceeding.
- (ii) The affirmative vote of a majority of the voting power of the Members entitled to vote at a duly held Members' meeting in which a quorum was present, or the approval by written ballot under the procedures described in Section 10 of Article IV of these By-Laws, provided that if the agent to be indemnified is a Member, the agent shall not be entitled to vote.
- (iii) The court in which such proceeding is or was pending on application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application is opposed by the Association.

Notwithstanding the foregoing, any indemnification in any proceeding brought by or on behalf of the Association shall be subject to the restrictions contained in California Corporations Code Section 7237(c).

Section 3. Standard of Care. In any proceeding brought by or on behalf of the Association, the applicable standard of care shall require that the agent acted in good faith, in a manner the agent believed to be in the best interests of the Association and with the care, including reasonable inquiry, that an ordinarily prudent person in like position would use under similar circumstances. In all other proceedings, the agent must have acted in good faith, in a manner the agent believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 4. Advancement of Expenses. On approval by the Board, expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of the proceeding, provided the Association receives an undertaking by or on behalf of the agent that the advances will be repaid unless it is ultimately determined that the agent was entitled to indemnification as required or authorized by these By-Laws.

Section 5. Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its agents, against any liability asserted against or incurred by any agent in such capacity or arising out of the agent's status as such whether or not the Association would have the power to indemnify the agent against such liability under Sections 1 through 4 above.

CERTIFICATION

10/31/07
Advised
David Norvell
of this error
KV
←

I, the undersigned, do hereby certify:

THAT I am the Incorporator of the THE RANCH AT FAIR OAKS COMMUNITY ASSOCIATION, a California nonprofit mutual benefit corporation; and

THAT the foregoing By-Laws, comprising 15 pages, constitute the original By-Laws of said Association, as duly adopted by written consent of the sole incorporator dated this 3rd day of December, 20 02.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 3rd day of December, 20 02.



Barbara Bail, Incorporator

SEAL

FIRST AMENDMENT TO BYLAWS

OF

WEST HIGHLAND PACIFIC HOMEOWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation

This First Amendment to Bylaws ("Amendment") is made by the members of the West Highland Pacific Homeowners Association, a California Nonprofit Mutual Benefit Corporation ("Association").

A. The Bylaws of the Association were adopted by its incorporator on December 3, 2002. Initially capitalized terms used but not defined in this Amendment shall have the meanings given them in the Declaration.

B. Article XII, Section 1 of the Bylaws provides that if a one-class voting system is in effect, the Bylaws may be amended by vote or written assent of a majority of the voting power of all the Members of the Association and a majority of the voting power of all of the Members of the Association other than Declarant.

C. A majority of the Association wishes to amend the Bylaws to provide for the directors of the Board to serve a staggered term.

NOW, THEREFORE, the Members of the Association amend the Bylaws as follows:

1. Article V, Section 2 is amended to read as follows:

Notwithstanding the foregoing, at the next election following the adoption of this Amendment wherein all five (5) directors are elected, the successor directors elected at such election shall serve as follows: the three (3) directors who receive the highest number of votes shall serve for a term of three (3) years and the two (2) remaining directors shall serve for a term of two (2) years. Thereafter, successor directors shall be elected for a term of two (2) years in accordance with the procedures set forth in Article VI below. All directors shall hold office until their respective successors are elected. Except as otherwise provided in the Declaration and these Bylaws, elections to the Board shall be in accordance with the provisions of the California Corporations Code and the California Civil Code. Any director may resign effective on giving written notice to the president, the secretary, or the Board, unless the notice specifies a later time for the effectiveness of such resignation.

2. This Amendment may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all of which when taken together shall constitute but one Amendment.

3. Except as amended by this Amendment, the Bylaws shall remain unmodified and in full force and effect.

4. Pursuant to Article 12, Section 1 of the Bylaws, this Amendment shall become effective upon its execution by the President and Secretary of the Association.

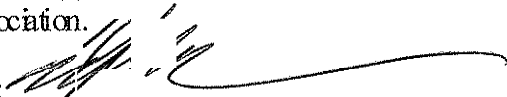
IN WITNESS WHEREOF, this Amendment has been made and executed as of the date first above written.

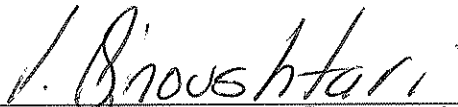
Michael Wenneman and Victoria Shoushtari hereby declare under penalty of perjury under the laws of the State of California that :

(a) They are the President and Secretary of the West Highlands Pacific Homeowners Association, a California non-profit mutual benefit corporation;

(b) The statements contained in the Recitals above are true and correct; and

(c) The foregoing amendments were approved by the requisite percentage of Members of the Association.

By: 
Name: MICHAEL WENNEMAN
Its: PRESIDENT

By: 
Name: Victoria Shoushtari
Its: Secretary