

AMENDED AND RESTATED

BYLAWS

OF

NEWPORT HILLS COMMUNITY ASSOCIATION

ARTICLE I

1. General Plan of Ownership.

1.1. Name.

The name of the corporation is NEWPORT HILLS COMMUNITY ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in Orange County, California.

1.2. Application.

The provisions of these Bylaws are applicable to the planned residential development known as Newport Hills, located in the County of Orange, California (the "Properties"). All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Newport Hills (Tract No. 7027) (the "Declaration") Recorded or to be Recorded in the Official Records of Orange County and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties or the mere act of occupancy of any Lot will signify that these Bylaws are accepted, ratified, and will be complied with.

1.3. Definitions.

Unless otherwise provided herein, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Declaration.

ARTICLE II

2. Voting by Association Membership

2.1 Voting Rights.

The Association has one (1) class of voting Membership. Members are entitled to one (1) vote for each Lot owned which is subject to assessment. All voting rights are subject to the Restrictions.

2.2. Majority of Quorum.

Unless otherwise provided in the Restrictions, any action which may be taken by the Association may be undertaken by a majority of a quorum of the Members.

2.3. Quorum

Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least forty percent (40%) of the Association's voting power constitutes a quorum of the Membership. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. No action by the Members on any such matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Restrictions to approve such an action.

2.4. Proxies.

Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary in advance of each meeting. Every proxy is revocable and automatically ceases after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed to ten (10) or more Members must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters intended, at the time the proxy is distributed, to be acted upon, except it is not mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person or persons authorized to exercise the proxy and the length of time it will be valid. No proxy is valid with respect to a vote on any matter described in Section 7613(g) of the California Corporations Code unless the general nature of the proposal was set forth in the proxy.

ARTICLE III

3. Administration.

3.1. Association Responsibilities.

In accordance with the Declaration, the Association is responsible for administering the Properties, maintaining and repairing the Common Area and Association Maintenance Areas, approving the Budget, establishing and collecting all assessments authorized under the Declaration, and arranging for overall architectural control of the Properties.

3.2. Place of Meeting of Members.

Meetings of the Members shall be held on the Properties, or such other suitable place as proximate thereto as practical and convenient to the Members, as designated by the Board.

3.3. Annual Meeting of Members.

The annual meeting of Members shall be held in November.

3.4. Special Meeting of Members.

The Board shall call a special meeting of the Members (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Association. or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of the Association's total voting power. The Secretary shall give notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time and place of such meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a special meeting except as stated in the notice.

3.5. Notice.

The Secretary shall send a notice of each annual or special meeting by first-class mail, at least ten (10) but not more than ninety (90) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice must specify those matters the Board intends to present for action by the Members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. The notice of any meeting at which Directors are to be elected must include the names of all nominees at the time the notice is given to the Members. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice may be posted in a conspicuous place on the Common Area and is deemed served upon a Member upon posting if no address for such Member has been then furnished the Secretary.

Notwithstanding any other provision of these Bylaws, approval by the Members of any of the following proposals, other than by unanimous approval of those Members entitled to vote, is not valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice: (a) removing a Director without cause; (b) filling vacancies on the Board; (c) 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; (d) amendment of the Articles; or (e) electing to wind up and dissolve the Association.

3.6. Record Dates.

The Board may fix a date in the future as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed must be not less than ten (10) nor more than ninety (90) days prior to the date of the meeting. If the Board does not fix a record date for notice to Members, the record date for notice is the close of business on the business day preceding the day on which notice is given. In addition. the Board may fix a date in the future as a record date for the determination of the Members entitled to vote at any meeting of Members. The record date so fixed must be not less than ten (10) nor more than sixty (60) days prior to the date of the meeting. If the Board does not fix a record date for

determining Members entitled to vote, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting.

3.7. Adjourned Meetings.

If any meeting of Members cannot be organized because a quorum is not present, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting to a time not more than forty-five (45) days from the original meeting date, at which meeting the quorum requirement is the presence in person or by proxy of Members holding at least twenty-five percent (25%) of the Association's voting power. Such an adjourned meeting may be held without the notice required by Section 3.5 if notice thereof is given by announcement at the meeting at which such adjournment is taken. If a meeting is actually attended, in person or by proxy, by Members having less than one-third (1/3) of the Association's voting power, then no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.5 hereof.

3.8. Other Business

Meetings of Members must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. The order of business at all meetings of the Members is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

3.9. Action Without Meeting.

Any action which may be taken at a meeting of the Members (except for the election of Directors) may be taken without a meeting by written ballot of the Members. Ballots must be solicited in the same manner as provided in Section 3.5 for the giving of notice of meetings of Members. Such solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received in order to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (ii) a number of approvals if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

3.10. Consent of Absentees.

The transactions of any meeting of Members, either annual or special, however called and noticed, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting. each of the Members not present in person or by proxy signs (i) a written waiver of notice, (ii) a

consent to the holding of such meeting, or (iii) an approval of the minutes thereof. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

3.11. Minutes, Presumption Notice.

Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given constitutes prima facie evidence that such notice was given.

ARTICLE IV

4. Board of Directors.

4.1. Number and Qualification.

The property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) Persons, each of whom must be an Owner. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws. Directors may not receive any salary or compensation for their services as Directors unless such compensation is first approved by the vote or written consent of Members representing at least a majority of the Association's voting power; provided, however, that (a) nothing in these Bylaws precludes any Director from serving the Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for his actual expenses incurred in performance of Association duties.

4.2. Powers and Duties.

The Board has the powers and duties necessary to administer the Association's affairs and may do all acts and things not by law or by these Bylaws directed to be exercised and done exclusively by the Members.

4.3. Special Powers and Duties.

Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board has the following powers and duties:

(a) The power and duty to select, appoint and remove all Association officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the Restrictions; to fix their compensation and to require from them security for faithful service when the Board deems advisable.

(b) The power and duty to conduct, manage and control the Association's affairs, and to make and enforce such rules and regulations therefor consistent with law and with the Restrictions as the Board deems necessary or advisable.

(c) The power but not the duty to change the principal office for the transaction of the Association's business from one location to another within the County in which the Properties are located, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Section 3.2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, deems best, provided that such seal must at all times comply with the provisions of law.

(d) With the approval of Members representing at least two-thirds (2/3) of the Association's voting power, the power but not the duty to borrow money and incur indebtedness for the Association's purposes, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(e) The power and duty to fix and levy Annual Assessments and Special Assessments, as provided in the Declaration; to determine and fix the due date for the payment of such assessments; provided, however, that such assessments must be fixed and levied only to provide for the payment of Common Expenses and taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the Declaration. Subject to any limitations imposed by the Declaration and these Bylaws, the Board may incur any and all such expenditures for any of the foregoing purposes and provide, or cause to be provided, adequate reserves for replacements as it deems to be necessary or advisable in the Association's interest or its Members' welfare. The funds collected by the Board from the Members for replacement reserves, maintenance recurring less frequently than annually, and capital improvements, is at all times held in trust for the Members. Disbursements from such trust reserve fund may only be made in accordance with the Declaration. The Board shall fix such Annual Assessments and Special Assessments in accordance with the Declaration. If a Member fails to pay such assessments before delinquency, the Board may enforce the payment of such delinquent assessments as provided in the Declaration.

(f) The power and duty to enforce the Restrictions or any Association agreements.

(g) The power and duty to contract and pay for insurance in accordance with the Declaration, covering and protecting against such damages or

injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Area and Association Maintenance Areas). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Association's behalf.

(h) The power and duty to contract and pay for maintenance, gardening, and common utilities services, materials, supplies and other Common Expenses relating to the Common Area or Association Maintenance Areas and to employ personnel necessary to operate the Properties, including legal and accounting services, and to contract and pay for Improvements on the Common Area.

(i) The power but not the duty to delegate its powers according to law.

(j) The power but not the duty to grant or quitclaim easements, licenses or rights of way in, on, or over the Common Area for purposes consistent with the intended use of the Properties as a planned residential development.

(k) The power and duty to adopt such Rules and Regulations as the Board deems necessary for managing the Properties, which Rules and Regulations will become effective and binding after (i) they are adopted by a majority of the Board at a meeting called for that purpose, or by the written consent of the Board in accordance with Section 4.13, and (ii) they are either (A) posted in a conspicuous place in the Common Area or (B) sent to the Members via first class U.S. mail. Such Rules and Regulations may concern, without limitation, use of the Common Area; signs; parking restrictions; collection and disposal of refuse; minimum standards of property maintenance consistent with the Declaration and the procedures of the ARC; and any other matter within the Association's jurisdiction as provided in the Declaration; provided, however, that such Rules and Regulations are enforceable only to the extent they are consistent with the Restrictions.

(l) The power and duty to keep, or cause to be kept, a complete record of all Association acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote.

(m) The power but not the duty to appoint a Membership Committee composed of at least one (1) Director and at least one (1) Member at large. The Membership Committee would be responsible for contacting all purchasers of Lots as soon as any transfer of title to a Lot is discovered.

The Membership Committee would further attempt to establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association.

(n) The power but not the duty to sell property of the Association; provided, however, that the prior vote or written approval of the Members representing at least a majority of the Association's voting power must be obtained to sell during any Fiscal Year any property of the Association having an aggregate fair market value greater than five percent (5%) of the Association's budgeted gross expenses for that Fiscal Year.

4.4. Management Agent.

The Board may engage a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board authorizes, including, but not limited to, the duties listed in Section 4.3. The maximum term of any such contact ("Management Contract") is one (1) year, unless a longer term is approved either by vote or written assent of a majority of the Association's voting power, in which case the maximum term of the Management Contract is three (3) years. Each Management Contract must provide for its termination by either party thereto without cause and without payment of a termination fee upon no more than ninety (90) days' Mitten notice to the other party.

4.5. Election and Term of Office.

At each annual meeting of the Members coinciding with the expiration of a Director's term of office or at which a vacancy on the Board exists, the Members shall elect new Directors by secret written ballot as provided in these Bylaws. If an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of the three (3) Directors receiving the highest number of votes at the first annual meeting following adoption of these Bylaws shall be two (2) years and the term of office of the two (2) Directors receiving the next highest number of votes at the first annual meeting following adoption of these Bylaws shall be one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by the death, resignation, removal, judicial adjudication of mental incompetence or expiration of the terms of past Directors. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be reelected, and there is no limit on the number of terms which he may serve.

4.6. Books- Audit.

The Board shall distribute the following financial information to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Association:

(a) A pro forma operating budget for each Fiscal Year consisting of at least the following information must be distributed not less than forty-five (45)

nor more than sixty (60) days prior to the beginning of the Fiscal Year:

- (I) The estimated revenue and Common Expenses computed on an accrual basis.
 - (ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code or any other applicable statute, as amended, which must be printed in bold type and include all of the following:
 - (A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component for which the Association is responsible.
 - (B) As of the end of the Fiscal Year for which the study is prepared:
 - (1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components for which the Association is responsible ("Estimated Reserves").
 - (2) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the major components for which the Association is responsible ("Actual Reserves").
 - (C) The percentage that the Actual Reserves is of the Estimated Reserves.
 - (iii) A statement as to whether the Board has determined or anticipated that the levy of one or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component for which the Association is responsible or to provide adequate reserves therefore.
 - (iv) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Area, the Association Maintenance Areas and facilities for which the Association is responsible.

The Board may distribute a summary of the Budget in lieu of the Budget itself, so long as the Board complies with the provisions of Section 1365(c) of the California Civil Code as it may be amended.

(b) A report containing the information required by Section 8321 of the California Corporations Code and Section 136S(b) of the California Civil Code must be distributed within one hundred twenty (120) days after the close of the Fiscal Year. If such report is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Association officer stating that the statement was prepared from the Association's books and records without independent audit or review.

In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the Fiscal Year a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Annual, Capital Improvement, Reconstruction and Special Assessments, including the recording and foreclosing of liens against Lots.

The Board shall do the following on at least a quarterly basis: (1) cause to be completed and review a current reconciliation of the Association's operating and reserve accounts, (2) review the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (3) review the income and expense statement for the Association's operating and reserve accounts, and (4) review the most current account statements prepared by the financial institutions where the Association maintains its operating and reserve accounts. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) Association officer (who is not also a Director) are required for the withdrawal of money from the Association's reserve accounts. As used in this paragraph, the term "reserve accounts" means monies that the Board has identified from its Budget for use to defray the future repair and replacement of, or additions to, those major components which the Association is obligated to maintain.

The Board shall cause a study of the reserve account requirements of the Properties to be conducted in accordance with Section 1365.5(e) of the California Civil Code. As used in this paragraph, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain.

4.7. Vacancies.

Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum. Any vacancy caused by the removal of a Director shall be filled by a vote of the Members. A Director may resign at any time by giving notice to the President, the Secretary or the Board. Any Director who ceases to be an Owner is deemed to have resigned from the Board. A vacancy is deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Members at the next annual meeting of the Members or at a special meeting of the Members called for such purpose.

4.8. Renewal of Directors.

At any regular or special meeting of the Members duly called, anyone individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause by the vote of Members representing a majority of a quorum of Members.

Any Director whose removal has been proposed by the Members must be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting.

4.9. Organization Meeting of Board

The first regular ("organization") meeting of a newly elected Board must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers and the transaction of other business. No notice is necessary to the newly elected Directors in order legally to constitute such meeting, provided that (a) a majority of the whole Board is present when the time and place are announced at the annual meeting and (b) the meeting is held on the same day and at the same place as the annual meeting of the Members at which the newly constituted Board was elected.

4.10. Regular Meetings of the Board.

Regular meetings of the Board must be open to all Members. Regular meetings may be held at such time and place within the Properties as is determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings must be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board shall be given to each Director at least four (4) days prior to the date named for such meeting, personally or by mail, telephone or telegraph, or posted at a prominent place or places within the Common Area. Notice of the time and place of regular meetings must be given to Members at least four (4) days prior to the date named for such meeting by posting the notice in a prominent place or places within the Common Area, by mail or delivery, or by newsletter or similar means of communication.

4.11. Special Meetings of Board.

Special meetings of the Board must be open to all Members. Special meetings may be called by the President or by any two (2) Directors by posting notice at least four (4) days prior to such meeting at a prominent place or places within the Common Area or upon four days' notice by first-class mail or seventy-two (72) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. The notice must state the time, place and the purpose of the meeting. Notice of the time and place of special meetings must be given to Members at least four (4) days prior to the date named for such meeting by posting the notice in a prominent place or places within the Common Area, by mail or delivery, or by newsletter or similar means of communication. Members need not be given notice of "emergency meetings," as described in Section 1363.05 of the California Civil Code.

4.12. Waiver of Notice

Before or at any meeting of the Board, the Directors may, in writing, waive personal notice of such meeting and such waiver is equivalent to the giving of notice to such Director. Attendance by a Director at any Board meeting waives personal notice by him of the time and place thereof. If all the Directors are present at any Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Members of such meeting was posted as provided in Sections 4.10 and 4.11, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the Minutes thereof. The Secretary shall file all such waivers, consents and approvals with the Association's records or make them a part of the Minutes of the meeting.

4.13. Action Without Meeting

The Board may act without a meeting if all Directors consent in writing to such action. Such written consent or consents must be filed with the minutes of the proceedings of the Board. Such action by written consent has the same effect as a unanimous vote of such Directors.

4.14. Quorum and Adjournment.

Except as otherwise expressly provided herein, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

The Board may, with the approval of a majority of the Directors present at a meeting at which a quorum has been established, 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, and orders of business of a similar nature. The nature of any and all business to be considered in executive session must first be announced in open session and must be generally noted in the minutes of the Board. In any matter relating to the discipline or a Member, the Board shall meet in executive session if requested by that Member, and the Member may attend the executive session.

4.15. Committees.

The Board may by resolution designate such advisory and other committees as it desires, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee must (a) provide for the appointment of its members and a chairman (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters as the Board deems appropriate.

ARTICLE V

5. Officers.

5.1. Destination.

The Association's principal officers are a President, a Vice President, a Secretary, and a Treasurer, all elected by the Board. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any Person may hold more than one office.

5.2. Election of Officers.

The Board shall annually elect the Association's officers at the new Board's organization meeting. Each officer shall hold his office at the pleasure of the Board, until he resigns or is removed or otherwise disqualified to serve or his successor is elected and qualified to serve.

5.3. Removal of Officers.

Upon an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of such notice or at any later time specified therein. Unless specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

5.4. Compensation.

Officers, agents, and employees shall receive such reasonable compensation for their services as is authorized or ratified by the Board; provided, however, that no officer may receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least a majority of the Association's voting power; and provided further, that (a) nothing in these Bylaws precludes any officer from serving the Association in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for actual expenses incurred in the performance of Association duties. Appointment of any officer, agent, or employee does not of itself create contractual rights of compensation for services performed by such officer, agent, or employee.

5.5. President.

The President is the chief executive officer of the Association and shall (a) preside at all Association and Board meetings, (b) have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Section 4.15, to appoint committees from among the Members as he decides is appropriate to assist in the conduct of the Association's affairs, and (c) subject to the control of the Board, have general supervision, direction and control of the

Association's business. The President is ex officio a member of all standing committees and has such other powers and duties as may be prescribed by the Board or these Bylaws.

5.6. Vice President

The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as imposed by the Board or these Bylaws.

5.7. Secretary

The Secretary shall (a) keep the Minutes of all meetings of the Board and the Minutes of all meetings of the Association at the Association's principal office or at such other place as the Board may order, (b) keep the Association's seal in safe custody, (c) have charge of such books and papers as the Board may direct, (d) in general, perform all of the duties incident to the office of Secretary, (e) give, or cause to be given, notices of meetings of the Members and of the Board required by these Bylaws or by law to be given, (f) maintain a record book of Members, listing the names, mailing addresses and telephone numbers of Members, as furnished to the Association ("Membership Register"), (g) record the termination or transfer of ownership by any Member in the Membership Register, together with the date of the transfer, in accordance with the Declaration, and (h) perform such other duties as prescribed by the Board or these Bylaws.

5.8. Treasurer.

The Treasurer is the Association's chief financial officer and is responsible for Association funds and securities. The Treasurer shall (a) keep, or cause to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association, (b) be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as the Board designates, (c) disburse the Association's funds as ordered by the Board, in accordance with the Declaration, (d) render to the President and Directors, upon request, an account of all transactions as Treasurer and of the Association's financial condition, and (e) have such other powers and perform such other duties prescribed by the Board or these Bylaws.

ARTICLE VI

6. Obligation of Members.

6.1. Assessments.

All Members shall pay, in accordance with the Declaration, all assessments imposed by the Association. All delinquent assessments shall be enforced. collected or foreclosed in the manner provided in the Declaration.

6.2. Maintenance and Repair

Each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Area or the Association Maintenance Areas, which is damaged through the fault of such Member or his family, guests, tenants or invitees. Such expenditures include all court costs and reasonable attorneys' fees incurred in enforcing any provision of the Restrictions.

ARTICLE VII

7. Amendment to Bylaws

These Bylaws may be amended by the vote or written consent of Members representing at least a majority of the Association's voting power; provided that the specified percentage of the Association's voting power necessary to amend a specific Section or provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision.

ARTICLE VIII

8. Mortgagees.

Upon the Association's request, a Member who mortgages his Lot shall notify the Association through the Manager, or through the Secretary if there is no Manager, of the name and address of his Mortgagee and the account number of the Member's loan with such Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots." Upon request, any such Member shall notify the Association of the release or discharge of any such Mortgage.

ARTICLE IX

9. Conflicting Provisions.

If any of these Bylaws conflict with any laws of the State of California, such conflicting Bylaws shall be void upon final court determination to such effect, but all other Bylaws shall remain in full force. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE X

10. Indemnification of Directors and Officers

The Board may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine levied against, any present or former Association Director, officer, employee or agent as provided in the Declaration.

ARTICLE XI

11. Miscellaneous.

11.1. Checks- Drafts and Documents.

All checks, drafts, orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to the Association must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of Section 4.6 hereof for withdrawing money from the Association's reserve accounts.

11.2. Execution of Documents.

The Board may authorize any officer or officers, 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. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Association by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

11.3. Availability of Association Documents.

The Association shall maintain at its principal office (or at such other place within the Properties as the Board may prescribe) the Restrictions and the Association's books of account; minutes of meetings of Members, the Board and Board committees; and the Membership Register (collectively, the "Association Documents"), each of which shall be made available for inspection and copying by any Member or the Member's duly appointed representative for a purpose reasonably related to the Member's interest as a Member. The Board shall establish reasonable rules regarding (a) notice to be given to the custodian of the Association Documents by the Member desiring to make the inspection, (b) hours and days of the week when such an inspection may be made, and (c) payment of the cost of copying any of the Association Documents requested by a Member; provided that every Director may at any reasonable time inspect all Association Documents and the physical properties owned or controlled by the Association, and make extracts and copies of documents. The minutes, minutes that are 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) must be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes or summary minutes must be distributed to any Member upon request and upon reimbursement of the Association's cost in making that distribution. Members must be notified in writing at the time that the budget required in Section 4.6(a) hereof is distributed or at the time of any general mailing to the entire Association membership of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained. No later than ten (10) days after the Association receives written request from any Member, the Association shall provide to that Member a copy of anyone or more of the documents enumerated in Section 1368(a) of the California Civil Code requested by the Member for purposes of providing the documents to a prospective purchaser of the Member's Lot. The Association may charge a fee for this service not exceeding the Association's reasonable cost to prepare and reproduce the requested documents.

11.4. Fiscal Year.

The Board shall determine the Association's Fiscal Year. The Fiscal Year is subject to change as the Board determines.

ARTICLE XII

12. Notice and Hearing Procedure.

12.1. Suspension of Privileges.

If an alleged violation of the Restrictions occurs, and after written notice of such alleged violation is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to have committed the violation in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board may, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon affirmative vote of a majority of all Directors on the Board take any one (1) or more of the following actions: (a) levy a Special Assessment as provided in the Declaration; (b) suspend or condition the respondent's right to use any recreational facilities the Association owns, operates or maintains; (c) suspend the respondent's voting privileges as a Member, as provided in the Declaration; or (d) enter upon a Lot to make necessary repairs, or perform maintenance or other acts which, according to the Declaration, are the responsibility of the respondent. Any such suspension may not be for a period of more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The Board's failure to enforce the Restrictions does not waive the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws are cumulative and not exclusive. However, any individual Member must exhaust all available internal Association remedies prescribed by the Restrictions before that Member may resort to arbitration for relief with respect to any alleged violation of the Restrictions by another Member. The foregoing limitation pertaining to exhausting internal remedies does not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments or Special Assessments.

12.2. Written Complaint.

A hearing to determine whether a right or privilege of the respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any officer or member of the Board with the President or other presiding member of the Board. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged and a reference to the specific provisions of the Restrictions which the respondent is alleged to have violated. A copy of the Complaint must be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a statement substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived Y°W" right to a hearing. The request for a hearing may be made by delivering or mailing a 'Notice of Defense' to the Board of Directors at the following address:

_____.

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact _____

_____.”

12.3. Notice of Hearing.

The Board shall serve a notice of hearing, as provided herein on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the respondent. The Board shall conduct the hearing no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.2. The notice to the respondent must be substantially in the following form but may include other information:

“You are hereby notified that a hearing will be held before the Board of Directors of the Newport Hills Community Association at

on the ____ day of _____, 19__, at the hour of _____,
upon the charges made in the Complaint served upon you.

You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association.”

12.4. Hearing.

The Board shall conduct the hearing in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard must be placed in the minutes of the


CERTIFICATE OF SECRETARY

I. the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of Newport Hills Community Association, a California nonprofit corporation (“Association”); and

2. The foregoing Bylaws comprising 20 pages including this page constitute the Bylaws of the Association duly adopted by written ballot of the Members on May, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this 30th day of September, 1998.


Secretary

(Seal)