

BYLAWS
OF
CANYON CREEK HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is CANYON CREEK HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association". The principal office of the Association shall initially be located at 5100 Campus Drive, Newport Beach, California 92660, but meetings of members and directors may be held at such places within the State of California, County of Orange as may be designated by the Board of Directors in accordance with these ByLaws. The principal office of the Association may be changed at any time by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "ARTICLES" means the Articles of Incorporation of the Association, as they may be amended from time to time.

Section 2. "ASSOCIATION" means CANYON CREEK HOMEOWNERS ASSOCIATION, a California non-profit **corporation**.

Section 3. "COMMON AREA" means the portions of the Project owned by the Association and described as follows:

Lots A, E and F of Tract No. 9355 as recorded on August 31, 1977 in Book 415, pages 15 to 18, inclusive, in the Official Records of the Orange County Recorder, orange County, California; and All streets located upon the Real Property.

Section 4. "DWELLING STRUCTURE" means the residential structure located or to be located upon a lot.

Section 5. "DECLARANT" means CANYON CREEK, a joint venture, and shall include the successors and assigns of Declarant, if such successors and assigns should acquire more than one (1) undeveloped or partially developed lot within the Project from Declarant for the purpose of development.

Section 6. "DECLARATION" means the Declaration of Restrictions applicable to the Project recorded in the Office of the Orange County Recorder, and all amendments thereof.

Section 7. "GOVERNING DOCUMENTS" means the Declaration, the Articles, the ByLaws, and the rules and regulations for the members as established from time to time.

Section 8. "LOT" means any one of lots 1 through 128 of Tract No. 9355, as recorded August 31, 1971, in the Official Records of the Orange County Recorder, Orange County, California and which lot is located within the Project.

Section 9. "MEMBER" means those persons and entities entitled to membership in the Association as provided in the Declaration. Whenever "member" or "membership" is used in these ByLaws for the purpose of determining quorums, percentages, or minimum or maximum numbers for voting as specified in these ByLaws, all persons and entities who are members because of their joint ownership of a particular lot shall be counted as one.

Section 10. "OWNER" means the record holder or holders of title, if more than one, of a fee simple interest in a lot in the Project. "Owner" shall include contract sellers, but shall exclude persons or entities having an interest merely as security for the performance of an obligation. Whenever "owner" is used in these ByLaws for the purpose of determining quorums, percentages, or minimum or maximum numbers for voting as specified in these ByLaws, all the owners of a particular lot shall be counted as one.

Section 11. "PROJECT" means the following portions of the Real Property, and all improvements located and to be located thereon: lots 1 through 13, lots 22 through 26, Lots A, E and F and all Streets.

Section 12. "REAL PROPERTY" means all of Tract No. 9355 as recorded on August 31, 1977, in Book 415, pages 15 through 18, inclusive, of the Official Records of the Orange County Recorder, Orange County, California.

Section 13. "STREETS" means all of the Real Property, with the exception of lots 1 through 128 and Lots A through G.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Association shall be held on the Project or as close thereto as practicable within forty-five (45) days after the closing of the sale of the lot which represents the fifty-first (51st) percentile interest authorized for sale under the first public report for the Project; provided, however, that in no event shall the first meeting of the Association be held later than six (6) months after the first closing of a sale of a lot in the Project. Thereafter, regular meetings of the Association shall be held annually commencing one (1) year after the first meeting at such reasonable time, place (either at the Project itself or at another meeting place located as near as is possible and practical to the Project), and date (not exceeding thirty (30) days before or after the anniversary date of the first meeting), as may be designated by the Board of Directors. Unless unusual conditions exist, meetings shall not be held outside of the county in which the Project is situated.

Section 2. Special Meetings. Special meetings of the members may be promptly called at any time by the President of the Association, by a majority of a quorum of the Board of Directors, by the written request to the Board of Directors of members having twenty-five percent (25%) or more of the total voting power of the Association, or by such a written request of members having fifteen percent (15%) or more of the voting power residing in members other than the Declarant.

Section 3. Notice of Meetings. Except as may otherwise be provided in the Articles or the Declaration, written notice of each meeting of the members shall be given by or at the direction of the secretary or persons authorized to call the meeting by mailing a copy of such notice, postage prepaid, not less than ten (10) days (except in emergency situations) nor more than forty-five (45) days before such meeting to each member entitled to vote thereat. The notice shall be addressed to the member's address last appearing on the books of the Association or supplied by such member for the purpose of notice. Each member shall provide written notice of his address and any changes thereof to the Association. The notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the nature of the business to be undertaken.

Section 4. Quorum. Except as may otherwise be provided in the Articles or the Declaration, the presence at any meeting of the owners of twenty-five percent (25%) of the lots, either in person or by proxy, shall constitute a quorum for the transaction of business at such meeting. In the absence of a quorum at a meeting, a majority of the owners present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date, and the quorum for such resumed meeting shall be the presence of twenty-five percent (25%) of the total voting power of the Association.

Section 5. Proxies. At all meetings of members, each vote entitled to be cast may be cast in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

Section 6. Action Taken Without a Meeting. Any action which may be taken at a meeting of the members may be taken without a meeting if authorized by a writing signed by all of the members entitled to vote at a meeting for such purpose, and the writing is filed with the secretary of the Association.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; 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; provided, however, that all directors who are elected after conversion of Class B membership to Class A must be members of the Association.

Section 2. Term of Office. Directors shall serve for terms of one (1) year. Directors shall be elected at the first annual meeting of members and at each annual meeting thereafter.

Section 3. Removal. The entire Board of Directors or any individual director may be removed from the Board by the majority vote (by secret written ballot) of the owners entitled to vote at an election of directors. However, unless the entire Board of Directors is removed, an individual director shall not be removed if the number of votes cast against the resolution for his removal exceeds the quotient arrived at when the total number of owners entitled to vote is divided by one plus the authorized number of directors. If any one or all directors are so removed, new directors may be elected at the same meeting. Except in the case of an election where only one director is elected, in the event that at an election no member of the Board of Directors could have been elected solely by the votes of owners other than Declarant (through the cumulating of all of their votes), the elected director having received the smallest number of votes shall be eliminated (and if more than one elected director shall fall in that category, one of the elected directors shall be eliminated by lot), and nominations and elections of a director shall be forthwith accomplished with only owners other than Declarant being entitled to vote in such election. A director who has been elected to office solely by the votes of owners other than Declarant in the manner set forth in the preceding sentence may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power of owners other than Declarant.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors 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 of Directors 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 non-members, except that

nominees for directors must be members of the Association after termination of Class B membership.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting shall be prescribed for all elections in which more than two (2) positions on the Board are to be filled.

ARTICLE VI

MEETINGS OF BOARD OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at a time and place within the Project or as close thereto as practicable fixed by resolution of the Board. Notice of the time and place of such meeting shall be posted at a prominent place or places within the Common Area.

Section 2. Special Meetings. A special meeting of the Board of Directors may be called by written notice signed by the President of the Association or by any two members of the Board other than the President. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all members of the Board and posted in the manner for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting.

Section 3. Open Meetings. Regular and special meetings of the Board shall be open to all members of the Association; provided, however, that Association members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, with the approval of a majority of a quorum of the Board, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 4. Quorum. A majority of the number of the directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) enforce all applicable provisions of these ByLaws, the Articles, the Declaration, and all other related instruments or documents with respect to the ownership, management, or control of the Project, and in so doing 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 ByLaws, the Articles, or the Declaration;

(b) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the owners and their guests thereon, and to establish monetary penalties or other appropriate discipline for the infractions thereof or for violations of other governing documents; provided, however, that monetary penalties or other appropriate discipline shall not be imposed upon an owner until after written notice and a reasonable opportunity for a hearing before the Board of Directors has been given to such owner;

(c) suspend the voting rights and right to use of the recreational facilities of a member (i) during any period in which such member shall be in default in the payment of any assessment levied by the Association, or (ii) for infraction of published rules and regulations of the Association or violation of provisions of other governing documents (said suspension not to exceed sixty (60) days per infraction or violation); provided, however, that such voting rights or right to use of the recreational facilities may not be suspended until after written notice and a reasonable opportunity for a hearing before the Board of Directors has been given to such member;

(d) declare the office of a director to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(e) employ a manager, an independent contractor, or such other employees as the Board shall deem necessary, and to prescribe their duties;

(f) pay all taxes, assessments, and other charges which are or could become a lien on the Common Area or some portion thereof;

(g) pay for pest control, state franchise taxes, and other costs and expenses with respect to the Association, and street cleaning, and other necessary charges, costs and expenses with respect to the Common Area;

(h) enter into management or service contracts for the furnishing of goods or services for the Common Area or the Association or the Exclusive Use Area as defined in the Declaration; provided, however, that such contracts must be terminable by the Association for cause upon thirty (30) days, notice, and further provided that no such contract shall have a duration of more than one (1) year except that contracts in connection with the Common Area not otherwise permitted by this Section may be entered into with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission provided, however, that the term of such contract shall not exceed the shortest term for which the supplied will contract at the regulated rate and except that contracts in connection with the Common Area or the Association may be entered into for prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits for short term cancellation by the insured; and

(i) delegate its powers to officers, agents or employees of the Association, to such extent and in such manner as the Board of Directors may from time to time reasonably determine.

Section 2. Duties. It shall be the duty of the Board of Directors to:

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

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

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessments against each lot;

(2) send written notice of each assessment to every owner subject thereto;

(3) foreclose the lien against any property for which assessments are not paid and received by the Association, or to bring an action at law against the owner personally obligated to pay the same; and

(4) pay taxes assessed against the Common Area or other property owned by the Association;

(d) issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance;

(e) cause to be prepared a balance sheet and operating (income) statement for the Association, and-cause copies thereof to be distributed to each member of the Association within sixty (60) days of accounting dates as follows:

(1) a balance sheet as of an accounting date which shall be the last day of the month closest in time to six (6) months from the date of closing of the first sale of a lot to a member of the Association and an operating statement for an accounting period from the aforesaid date of first closing to the aforesaid accounting date; and

(2) a balance sheet as of the last day of the Association's fiscal year and an operating statement for said fiscal year.

The operating statement for the first six (6) months accounting period referred to in (1) above shall include a schedule of assessments received or receivable-itemized by lot and by the name of the person or entity assessed. At such time as the gross income of the Association for any fiscal year exceeds \$75,000.00, an external audit by an independent public accountant shall be required for the fiscal-year financial statements (other than a budget);

(f) obtain and continue in effect a master policy of insurance (covering the Common Area and personal property owned by the Association) and liability insurance, including fire insurance for full extended coverage (in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement value)), and vandalism, malicious mischief, and public liability insurance. If necessary, the Association shall obtain and maintain appropriate worker's compensation coverage.

The Association shall also obtain and continue in effect fidelity bond coverage (if available) for any person or entity handling funds of the Association, including, but not limited to, employees of any manager or managing agent. Such fidelity bond coverage shall name the Association as obligee.

All of the foregoing shall be in form and amounts satisfactory to the Board, but without prejudice to the right of the owner of a lot to obtain individual insurance.

(g) cause the Common Area to be maintained.

Section 3. Restrictions. The Board of Directors shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of both classes of membership of the Association:

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

(b) selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; and

(c) paying compensation to members of the Board of Directors or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of officers. The officers of this Association shall be a president, vice-president, secretary, treasurer, and such other officers as the Board may from time to time by resolution create. The president and vice-president must at all times be members of the Association.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors 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 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. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignations shall take effect on the date of receipt of such notice, or at any later time specified therein. 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 replaces.

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

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

President

The president shall preside at all meetings of the Board of Directors; see that orders and resolutions of the Board are carried out; and sign documents and written instruments on behalf of the Association.

Vice-President

The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of members; keep the corporate seal of the Association and affix it on all papers requiring said seal; 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 perform such other duties as may be required by the Board.

Treasurer

The treasurer (or at the option of the Board of Directors, a professional property manager) 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 of Directors; and keep proper books of account; cause to be prepared an annual pro forma operating statement (budget) which shall be distributed to each member of the Association and to all holders of first mortgages on the lots not less than sixty (60) days before the beginning of the fiscal year; and cause to be prepared a balance sheet as of the last day of the Association's fiscal year and an operating statement for said fiscal year, copies of which documents shall be delivered to each Association member and to all holders of first mortgages on the lots within ninety (90) days after the close of the fiscal year.

ARTICLE IX

COMMITTEES

The Association shall appoint a Nominating Committee, as provided in these ByLaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The membership register, books of account, and minutes of meetings of the members, of the Board of Directors, and of committees of the Board of Directors shall be made available for inspection and copying by any member of the Association (or by his duly appointed representative) for a purpose reasonably related to such member's interest as a member. The place where said items shall be available for inspection shall be the principal office of the Association or such other place as the Board of Directors may prescribe. The member desiring to make the inspection shall give at least forty-eight (48) hours notice to the custodian of the records desired to be inspected. The hours and days of the week when an inspection may be made are Monday through Friday (except legal holidays) from 9:00 A.M. to 3:00 P.M. Each member requesting copies of documents shall pay the cost of reproducing the copies upon receipt thereof. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each owner is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the lot against which the assessment is made. If any assessment is not paid and received by the Association within fifteen (15) days after the due date, a late charge of an amount not less than \$5.00 and not more than \$25.00 (the exact amount to be determined by the Board in its discretion for each fiscal year, and to be applied uniformly to all owners during such fiscal year) shall be assessed for each month or fraction thereof from the due date until the assessment and all late charges are paid. The Association may bring an action at law against the owner personally obligated to pay the same, or foreclose the lien against the lot. All late charges, costs of suit, and reasonable attorneys' fees and expenses incurred in any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his lot.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: CANYON CREEK HOMEOWNERS ASSOCIATION.

ARTICLE XIII

AMENDMENTS

Section 1. These ByLaws may be amended, at a regular or special meeting of the members, by a vote of fifty-one percent (51%) of the voting power of each class of members present in person or by proxy. These ByLaws may also be amended by the written consent of fifty-one percent (51%) of each class of members.

Section 2. In the case of any conflict between the Articles and these ByLaws, the Articles shall control. In the case of any conflict between the Declaration and these ByLaws, the Declaration shall control. In the case of any conflict between the Articles and the Declaration, the Declaration shall control.

Section 3. No bylaw can be amended by a percentage of votes less than the percentage of votes required to effect the purpose of such bylaw.

ARTICLE XIV

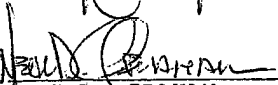
MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we, being all of the directors of CANYON CREEK HOMEOWNERS ASSOCIATION, have hereunto set our hands this 24th day of October, 1979.



HOWARD W. MEISTER II




NEAL D. GRAHAM



TERRY R. TEEPLE



THOMAS K. CALLISTER



LINDA KELLER

CERTIFICATE OF ADOPTION OF BYLAWS

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of CANYON CREEK HOMEOW14ERS ASSOCIATION, a California nonprofit corporation, and that the foregoing ByLaws constitute the original ByLaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 11th day of October, 1979.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 11th day of October, 1979.



Linda Keller, Secretary

(SEAL)