

The Amended and Restated Bylaws
of
The Highlands Community Association

THE AMENDED AND RESTATED
BY LAWS
of
THE HIGHLANDS COMMUNITY ASSOCIATION

ARTICLE I

Definitions

All terms as used in these Bylaws shall, unless stated otherwise, be defined as set forth in that certain Amended and Restated Declaration of Covenants, Conditions, and Restrictions recorded _____, 2005, and any amendments thereto (the "Declaration"). All of the terms and provisions of said Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE II

Office

Principal Office: The principal office for the transaction of the business of the Association is hereby fixed and located within the Covered Property, or as close thereto as practicable in the County of Orange, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said County.

ARTICLE III

Members

Section 1 - Membership. Every person or entity who is an Owner shall be a Member as provided in the Declaration. The provisions of these Bylaws, which are binding upon all Members, are not exclusive, as Members shall also be subject to the terms and provisions of the Articles, the Declaration and Association Rules.

Section 2 - Termination of Membership. Membership in the Association shall automatically terminate when such Member sells and transfers his Residence.

Section 3 - Voting Rights. The Association shall have one class of voting membership and the same voting rights and requirements set forth in the Declaration

Section 4 - Membership Certificates. In its discretion, the Board may, but need not, issue appropriate membership certificates evidencing membership in the Association.

Section 5 - Plural Memberships. A Member may own more than one membership in the Association by complying with the qualifications of membership as to more than one (1) Residence as set forth in the Section entitled "Membership" of this Article.

Section 6 - Assessments. The Members shall be jointly, severally and personally liable for the payment of such Assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration and these Bylaws.

Section 7 - Enforcement of Payment of Assessments. Should any Member fail to pay his Assessments before delinquency, the Association, in the discretion of the Board, shall have the right to enforce payment of such delinquent Assessments pursuant to the Declaration.

Section 8 - Association Rules; Enforcement. The following provisions shall govern the promulgation of the Association Rules authorized by the Declaration which shall include the establishment of a system of fines and penalties:

- (a) The Board in its discretion, and subject to the requirements of Civil Code Sections 1357.100 through 1357.150, shall adopt such rules and regulations as are consistent with and in furtherance of existing law, the Declaration, the Articles and these Bylaws. Such rules and regulations shall take effect as the Association Rules.
- (b) The Board in its discretion shall adopt a list of specific fines and penalties for the violation by any Member of the provisions of the Declaration, the Articles, these Bylaws and the Association Rules. Such fines and penalties shall be binding on all Members and shall be enforceable by the Board as a Special Assessment. Such a remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, the Declaration, the Articles, the Bylaws and the Association Rules.
- (c) Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:
 - (i) A written statement of the alleged violations shall be provided to any Member against whom such charges are made, and such written statement shall provide a date on which the charges shall be heard;
 - (ii) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least ten (10) days prior to that hearing in compliance with Civil Code Section 1363(h);
 - (iii) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges;
 - (iv) At such hearing the Member so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;
 - (v) The Association shall deliver to the Member so charged within fifteen (15) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefore in compliance with Civil Code Section 1363(h).
- (d) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV

Meetings of Members

Section 1 - Place of Meeting. All meetings of Members shall be held at the principal office of the Association, or at such other place in the County of Orange as may be fixed from time to time by resolution of the Board.

Section 2 - Annual Meetings. The annual meeting of the Members shall be held in Orange County in the month of September but not on a legal holiday.

Section 3 - Special Meetings. Special meetings of the Members for any lawful purpose may be called at any time by the President, a majority of a quorum of the members of the Board, or by Members holding not less than five percent (5%) of the voting power of the Members as provided for within Corporations Code Section 7510(e).

Section 4 - Notices of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice through the first class mail, postage prepaid, to his address appearing on the books of the Association, or supplied by him to the Association for the purpose of notice. All such notices, in accordance with Corporations Code Section 7511(a) shall be sent to each Member entitled thereto not less than ten (10) days nor more than sixty (60) days before each meeting, and shall specify the place, the day and the hour of such meeting, and in case of special meetings, the general nature of the business to be transacted.

When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, other than by announcement thereof at the meeting at which such adjournment is taken.

Section 5 - Consent of Absentees. The transaction of any business at 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 approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 6 - Quorum. The presence at the meeting of Members or proxies or any combination thereof, entitled to cast thirty three and one-third percent (33 1/3%) of the voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, these Bylaws, or Civil Code Section 1366(b) with regard to assessment increases. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days, nor more than thirty (30) days from the time the original meeting was called. At such adjourned meeting, the minimum quorum shall be twenty-five percent (25%), provided that if less than one-third of the voting power is present at a regular meeting in person and by proxy, then the only matters that may be voted upon are those stated in the notice of the meeting. Except where a greater portion of the voting power is required by the Articles, the Declaration, or these Bylaws, a majority of the voting power present, in person or

by proxy, shall prevail at all meetings. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough 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.

Section 7 - Proxies Every Member entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such Member or his duly authorized agent and filed with the Secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution.

Section 8 - Action Without Meeting. Unless otherwise provided in the Articles:

- (a) Directors may only be elected without a meeting by unanimous written consent of all of the Members who would be entitled to vote for the election of such directors, provided that, with appropriate notice as hereinafter set forth, a director may be elected at any time to fill a vacancy not filled by the directors by the written consent of a majority of the Members entitled to vote for the election of the director or directors whose vacancy has occurred.
- (b) Any other action which may be taken at any annual or special meeting of Members may be taken without a meeting, upon notice as hereinafter set forth, if a consent in writing setting forth the action so taken, is signed by the Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted.
- (c) All such written consents shall be filed with the Secretary of the Association.
- (d) The Board may fix a record date for the determination of Members entitled to give such written consent, as provided in the Section of these Bylaws entitled "Record Date and Closing Membership Register".

ARTICLE V

Directors

Section 1 - Powers. In addition to the powers and duties of the Board as set forth in the Declaration, the Articles, or elsewhere in these Bylaws, and subject to limitations of the Articles, the Declaration, or these Bylaws, and of the California Corporations Code as to action to be authorized or approved by the Members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by the Board. Without prejudice to such general powers but subject to the same limitations, the Board is vested with and shall have the following powers; to wit:

- (a) To select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, the Declaration and/or these Bylaws, to fix the compensation of agents and employees and to require from them security for faithful service when deemed advisable by the Board.
- (b) To conduct, manage and control the affairs and business of the Association, and to enforce such rules and regulations therefore consistent with law, with the Articles, the Declaration and/or these Bylaws, as the Board may deem necessary or advisable.

(c) To fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes for this Association to which the assets of this Association shall be distributed upon liquidation or dissolution according to the Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association and after distribution of all property held or acquired by the Association under the terms of a specific trust or trusts.

(d) To adopt and use a corporate seal.

Section 2 - Number and Qualification of Directors. The Board shall consist of five (5) directors, unless changed by an amendment to this Section of these Bylaws. A person must be a resident owner in order to serve as a director.

Section 3 - Election and Term of Office. Directors shall be elected at each annual meeting of Members for concurrent annual terms, but if any such annual meeting is not held, or if the directors are not elected thereat, the directors may be elected for concurrent annual terms, at any special meeting of Members held for that purpose. Election of directors shall be by secret written ballot. All directors shall hold office until their respective successors are elected.

Section 4 - Cumulative Voting. Every Member entitled to vote for any election of directors shall have the right to cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.

Section 5 - Special Voting Rights. There are no special voting rights in respect of special classes of Members. All Members share the same and equal voting rights.

Section 6 - Election Committee. An Election Committee may be appointed annually by the Board to make rules for and supervise nominations, voting procedures, voting requirements and the orderly and fair election of directors. The Election Committee shall consist of a Chairman who may also be a member of the Board and two (2) other persons who shall be Members of the Association, but not members of the Board.

The Election Committee shall make as many nominations for election to the board as it shall in its discretion determine but not less than the number of vacancies that are to be filled. Nominations to serve on the Board may also be made from the floor at any meeting of the Members at which directors are elected.

Section 7 - Removal of Directors. The removal of any director from the Board, and the removal of the entire Board, shall be controlled by Corporations Code Sections 7221, 7222, and 7223. In the event any or all directors are so removed, directors may be elected to fill the vacancy or vacancies created by removal as set forth in Corporations Code Section 7224.

Section 8 - Vacancies. Vacancies on the Board, may be filled by a vote of a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose. Vacancies occurring in the Board by reason of the removal of a director or directors may be filled only by the vote of the Members.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation, disqualification pursuant to these Bylaws or removal of any director. If the Members shall increase the authorized number of directors but shall fail to elect the additional directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized directors, a vacancy or vacancies shall be deemed to exist.

Any director convicted of a felony, with such conviction occurring after election as director, will be removed from office as director, without the Board having to convene a special meeting and hold a vote on the removal. The vacancy created by such automatic removal will become effective as of the date on which the Board is notified of the condition of the conviction.

Any director who misses three consecutive Board meetings of any type will be removed from office as a director on the grounds of absenteeism, without the Board having to convene a special meeting and hold a vote on the removal. The vacancy created by this absenteeism removal will become automatically effective ten days past the third such consecutive Board meeting missed by the absent director.

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 of the Bylaws is voted authorizing an increase in the number of directors.

If any director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 9 - Place of Meeting All meetings of the Board shall be held at the principal office of the Association, or at any other place or places within the County of Orange designated at any time by resolution of the Board or by written consent of all members of the Board.

Section 10 - Organization Meeting Immediately following each annual meeting of the Members, the board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 11 - Other Regular Meetings Other regular meetings of the Board may be held without call at such place and day and hour as may be fixed from time to time by resolution of the Board provided, should said day fall upon a legal holiday, then the meeting which otherwise would be held on said day shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such regular meetings of the Board is hereby dispensed with, provided, however notice of the time and place of any regular meeting shall be posted at a prominent and accessible place or places within the Covered Property. In no event shall regular meetings of the Board be held less than once every six (6) months.

Section 12 - Special Meetings - Notices

(a) Who May Call a Special Board Meeting.

Special meetings of the Board for any purpose may be called at any time by the Chairman or by the President, or if they are unable or refuse to act, by any two (2) directors.

(b) Notice To Directors of Special Meetings.

(i) Manner of Giving. Notice of the time and place of special meetings of the Board shall be given to each Director by one of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; or (C) by telephone, email or facsimile communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director. All such notices shall be given or sent to the Director's address, email or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof.

(ii) Time Requirements. Notices sent by first-class mail shall be deposited in a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, email or fax shall be delivered, telephoned, or transmitted at least 48 hours before the time set for the meeting.

(iii) Notice Contents. The notice shall state the time, place, and purpose of the meeting.

(c) Notice to Members of Special Meetings. Members shall be notified of special meetings of the Board of Directors that are not executive sessions pursuant to the notice requirements of Civil Code Section 1363 05, or any comparable successor statute.

Section 13 - Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If a Board meeting is adjourned notice of the adjourned meeting date shall be given as set forth within Section 12 of this Article.

Section 14 - Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed, to the directors, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers consents or approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 15 - Quorum. A majority of the number of directors as fixed by the Articles or these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 16 - Consent of Board Obviating Necessity of Meeting. Notwithstanding anything to the contrary contained in these Bylaws, any action required or permitted to be taken by the Board may be taken without a meeting if at such time all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 17 - Fees and Compensations. No director or officer shall receive any salary for his services as such officer or director. Nothing herein contained shall be construed to preclude any director or officer from serving the Association as agent, counsel, or any capacity other than as such director or officer, and receiving compensation therefor, nor from being reimbursed for expenses incurred in the Association's business

Section 18 - Presiding Officer. The members of the Board shall elect one of their number to act as Chairman. The Chairman shall preside at all meetings of the Board.

Section 19 - Indemnification of Directors, Officers and Employees.

(a) For the purposes of this Section, "agent" means any person who is or was a director, officer, employee or other agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under paragraph (d) or subparagraph (e) (3) of this Section

(b) The Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding (other than an action by or in the right of the Association to procure a Judgment in its favor) by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Association or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) The Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed 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. No indemnification shall be made under this paragraph (c):

- (1) In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Association in the performance of such person's duty to the Association, unless and only to the extent that the court in which such action was brought shall determine upon application that, in view

of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

- (2) Of amounts paid in settling or to otherwise disposing of a threatened or pending action, with or without court approval; or
- (3) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

(d) To the extent that an agent of the Association has been successful on the merits in defense of any proceeding referred to in paragraph (b) or (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in paragraph (d), any indemnification under this Section shall be made by the Association only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c), by:

- (1) A majority vote of a quorum consisting of directors who are not parties to such proceeding;
- (2) Approval or ratification by the affirmative vote of a majority of the voting power of the Members at a duly held meeting at which a quorum is present or by the written consent of a majority of the voting power of the Members. For purposes of determining the required quorum of any meeting of Members called to approve or ratify indemnification of an agent and the vote or written consent required therefor, the vote of any Member to be indemnified shall not be considered outstanding and shall not be entitled to vote thereon; or
- (3) The court in which such proceeding is or was pending, upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Association.

(f) Expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Section.

(g) This Section shall create a right of indemnification for each person referred to in this Section, whether or not the proceeding to which the indemnification related arose in whole or in part prior to adoption of this Section, and in the event of the death of such agent, whether before or after initiation of such proceeding, such right shall extend to such person's legal representatives. This Section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the Association as defined in paragraph (a). Nothing contained in this Section shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this Section. In addition, to the maximum extent permitted by applicable law, the right of

indemnification hereby given shall not be exclusive of or otherwise affect any other rights such agent may have to indemnification, whether by law or under any contract, insurance policy or otherwise.

(h) No indemnification or advance shall be made under this Section, except as provided in paragraph (d) or subparagraph (e) (3), in any circumstance where it appears:

- (1) That it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Members or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- (2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(i) Upon determination by the Board, the Association may purchase and maintain insurance on behalf of any agent of the Association against any liability asserted against or incurred by the 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 the provisions of this Section.

(j) Upon the written request of any agent of the Association who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, the Board shall meet within ten (10) days of such request and shall determine whether indemnification of such agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c).

Section 20 - Records. The Board shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of Members.

Section 21 - Attendance of Board Meetings by Members. Regular and special Board meetings shall be open to all Members; provided, however, no Member who is not an officer or director shall participate in any deliberation or discussion unless expressly authorized by a majority of a quorum of the Board. The Board may, upon the vote of a majority of the Board's quorum, adjourn a Board meeting and reconvene in executive session exclusive of all Members who are not directors to discuss and vote upon personal matters, litigation in which the Association is involved and other similar matters requiring confidentiality. The nature of any and all business to be so considered in executive session shall be announced in open session.

ARTICLE VI

Officers

Section 1 - Officers. The officers shall be a President, a Vice President, a Secretary and a Treasurer, which officers shall be elected by and hold office at the pleasure of the Board. Any two (2) or more of such offices, except those of President and Secretary may be held by the same person. .

Section 2 - Election The officers of the Association, except such officers as may be appointed in accordance with the provisions of the Sections entitled "Subordinate Officers" and "Vacancies" of this Article shall be chosen annually by the Board and each shall hold his office until he shall resign or shall be removed or otherwise be disqualified to serve, or until his successor shall be elected and qualified.

Section 3 - Subordinate Officers. The Board may appoint such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4 - Removal and Resignation Any officer may be removed, either with or without cause, by the vote of a majority of all the directors then in office at any regular or special meeting of the Board at which a quorum is present.

Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Association. Any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5 - Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6 - President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Association. The President may, but need not, be the Chairman of the Board. He shall be an ex-officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have other powers and duties as may be prescribed by the Board or these Bylaws.

Section 7 - Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon the office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or the Bylaws.

Section 8 - Secretary. The Secretary shall keep, or cause to be kept, a book of Minutes at the principal office or such other place as the Board may order, of all meetings of directors and Members, with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present or represented at Members' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office, a membership register showing the following: (1) the names and addresses of all members of the Board; (2) the names of the Members and their addresses; (3) the property to which each membership relates; (4) the number of memberships held by each Member; (5) the number of votes represented by each Member; (6) the number and date of membership certificates issued, if any; and (7) the number and date of cancellation of membership certificates, if any.

The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by the Bylaws or by law to be given, and he shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

Section 9 - Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association. The books of account shall at all reasonable times be open to inspection by any director or by any Member. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws

ARTICLE VII

Miscellaneous

Section 1 - Record Date and Closing Membership Register. The Board may fix a time, in the future, not exceeding fifteen (15) days nor less than ten (10) days preceding the date of any annual or special meeting of the Members, as a record date for the determination of the Members entitled to notice of and to vote at any such meeting, and in such case only Members of record on the date so fixed shall be entitled to notice of and to vote at such meeting, notwithstanding any transfer of any membership on the books of the Association after any record date so fixed. In determining the Members of record on said record date, the Board shall not be required to recognize any Member who has not executed and delivered a Membership Agreement on or before said date. For the purpose of determining such record date, the Board may close the books of the Association against transfer of membership during the whole, or any part, of any such period.

Section 2 - Inspection of Corporate Records.

(a) The membership register, books of account and minutes of Meetings of the Members, of the Board and any committees of the Board, shall be made available for inspection and copying by any Member or his duly-appointed representative at any reasonable time and for a purpose reasonably related to his interest as a Member, at the principal office of the Association or such other place within the Covered Property as the Board shall prescribe, all as provided in the Corporations Code of the State of California and the California Civil Code.

(b) The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Member desiring to make the inspection; hours and days of the week when such inspection may be made; and payment of the cost of reproducing copies of documents requested by a Member.

(c) 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, all as provided in the Corporations Code of the State of

California, and the California Civil Code. Without limiting the generality of the foregoing, the right of inspection by a director includes the right to make extracts and copies of documents.

Section 3 - Checks and Drafts All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such officer or officers and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 4 - Contracts; How Executed. The Board, except as in these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of 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 any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 5 - Annual Report and Other Financial Information.

(a) The Board shall cause an annual report to be sent to each Member within one hundred twenty (120) days after the close of the Association's fiscal year as required by Corporations Code Section 8321. Such report shall contain a balance sheet; as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the Association that such statements were prepared without audit from the books and records of the Association.

(b) The Board shall cause to be sent to each Member not less than thirty (30) days before the beginning of each fiscal year a pro forma operating statement (budget) for such fiscal year prepared in compliance with Civil Code Section 1365.

(c) Upon written request of a Member, the Board shall cause to be mailed to such Member a copy of the latest annual report or any semiannual quarterly income statement which the Association has prepared and a balance sheet as of the end of the period. The foregoing shall not require the preparation of a quarterly or semiannual income statement or balance sheet, but such periodic statements or balance sheets, if prepared, shall be accompanied by the report thereon, if any, of any independent accountants engaged by the Association or the certificate of an authorized officer of the Association that such statements or balance sheets were prepared without audit from the books and records of the Association.

Section 6 - Inspection of Bylaws The Association shall keep in its principal office for the transaction of business the original or a copy of the Bylaws as amended, certified by the Secretary, which shall be open to inspection by all of the Members at all reasonable times.

Section 7 - Annual Independent Review. An annual independent review of the account or accounts of the Association or any management body shall be made, for any fiscal year in which the Association's gross income exceeds Seventy-Five Thousand Dollars (\$75,000) A copy of such review shall be available for the inspection of each Member, officer or director of the Association.

Section 8 - Singular Includes Plural. Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include the feminine.

Section 9 - Conflict. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE VIII

Amendments

Section 1 - Powers of Members. These Bylaws may be adopted, amended or repealed by the vote or written assent of a majority of the voting power of the Members present and entitled to vote at a meeting of Members duly called for such purpose, provided the proposed amendment has been submitted to each Member together with the advance notice of said meeting.

Section 2 - Powers of Directors. Subject to the right of the Members to adopt, amend or repeal these Bylaws, as provided in this Article, at any special or regular meeting of the Board, the Board may adopt, amend or repeal any of these Bylaws, except that only by a vote of the Members, as provided in this Article, may the following Bylaws be amended or changed:

- (a) The provisions of the Sections entitled "Membership", "Voting Rights" and "Association Rules; Enforcement" of the Article entitled "Members";
- (b) The provisions of the Sections entitled "Annual Meetings", "Special Meetings" and "Notices of Meetings" of the Article hereof entitled "Meetings of Members";
- (c) The provisions of the Sections entitled "Number and Qualification of Directors", "Records", "Election and Term of Office", and "Cumulative Voting" of the Article hereof entitled "Directors";
- (d) The provisions of the Sections entitled "Inspection of Corporation Records", "Annual Independent Audit" and "Annual Report" of the Article hereof entitled "Miscellaneous"; and
- (e) The provisions of this Article.

Section 3 - Record of Amendments. Whenever an amendment or new Bylaw is adopted it shall be placed in the book of Bylaws in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

Section 4 - FHA / VA Approval. If so provided in the Declaration, or any amendments thereto or in any Supplementary Declaration recorded pursuant thereto, no amendment to these Bylaws shall be effective without the prior approval of the FHA and/or VA.

[CERTIFICATE OF SECRETARY APPEARS ON NEXT PAGE]

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

- (1) That I am the duly elected and acting secretary of the Highlands Community Association, a California corporation; and
- (2) That the foregoing Amended and Restated Bylaws, comprising fourteen (14) pages constitute the official Bylaws of said corporation as duly adopted by the Membership by way of vote by written Ballot.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 4/11th day of January, 2006.


Secretary