

BYLAWS
OF
DAHLIA ESTATES HOMEOWNERS ASSOCIATION

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BYLAWS
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ARTICLE I

General Provisions

Section 1. **Name.** The name of the Association is DAHLIA ESTATES HOMEOWNERS ASSOCIATION ("Association"). The principal office of the Association shall be at such place in the County of Los Angeles as the Board of Directors may designate from time to time.

Section 2. **Purpose.** The Association has been formed for the purpose of performing the powers and duties of the Association as set forth in these Bylaws, the Articles of Incorporation of the Association as amended from time to time ("Articles") and that certain Declaration of Covenants, Conditions and Restrictions establishing a plan for Lot ownership, as amended from time to time ("Declaration") recorded in the office of the Los Angeles County Recorder, established in connection with that certain planned development project ("Project") in the City of El Monte, County of Los Angeles, State of California (Tract 54066).

Section 3. **Personal Application.** All present or future owners, tenants, future tenants, or their employees, guests or any other persons who own or use the facilities of the Project in any manner, are subject to the regulations set forth in these Bylaws, the Articles and the Declaration. The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a Lot shall constitute an acceptance of the provisions of the Articles, these Bylaws, and the Declaration and an agreement to comply therewith.

ARTICLE II

Lot Owners

Section 1. **Annual Meetings.** The first organization meeting of the Lot Owners shall be held within forty-five (45) days after the consummation of the sale of the Lot in the Project which represents the 51st percentile of all Lots under the first public report for the Project, provided that the first public report authorizes the sale of fifty Lots or more in the Project. However, in no event shall the first meeting be held later than six (6) months from the transfer and conveyance of the first Lot in the Project without regard to the number of Lots authorized for sale in the first public report. Thereafter, annual meetings of such Owners shall be held on or near the same day of each year as determined by the Board of Directors. At the annual meetings there shall be elected by ballot of the Owners a Board of Directors consisting of three (3) persons. The Owners may also transact such other business of the Association as may properly come before the meeting.

Section 2. Regular Meetings. Regular meetings of the Owners shall be held at such time and place within the Project, or at a meeting place as close thereto as possible, as may be fixed from time to time by resolution of the Board, provided that regular meetings shall be held not less frequently than every twelve (12) months.

Section 3. Special Meetings. It shall be the duty of the president to call a special meeting of the Owners if so directed by a majority of the Board of Directors, or upon written request by Owners holding at least five percent (5%) of the total voting power of the Association. The notice of the special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of Owners holding at least fifty-one percent (51%) of the voting power of each class of members present at such meeting.

Section 4. Notice of Meetings. Written notice of each annual, special, or adjourned meeting of the Owners shall be given by or at the direction of, the secretary by mailing a copy of such notice, postage prepaid, to each of said Owners. Said notice shall be given not less than ten (10) days, nor more than ninety (90) days prior to the fixed date for said meeting. The notice shall specify the place, day and hour of the meeting and the matters the Board intends to present for action by the members. Except as otherwise provided by law, any proper matter may be presented at the meeting for action. The mailing of a notice in the manner provided in this Section shall be considered service of notice.

Section 5. Adjourned Meetings. If any meeting of Owners cannot be held because a quorum is not present, a majority of the Owners who are present, either in person or by proxy, may adjourn the meeting but may not transact any other business. The meeting may be adjourned to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. The presence in person or by proxy of Owners of at least twenty-five percent (25%) of the total voting power of the Association shall constitute a quorum at such adjourned meeting.

If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Owners in the manner prescribed for regular meetings.

Section 6. Place of Meetings. Meetings of the Association shall be held within the Project or at a meeting place as close thereto as possible. Unless unusual conditions exist, meetings shall not be held outside the County in which the Project is situated.

Section 7. Voting Owners. Each Lot Owner shall designate one (1) voting Owner. There shall be only one voting Owner for each Lot. The voting Owner shall be designated by the record owner or owners of each Lot by written notice to the Board of Directors or the manager. Said designation of a voting Owner shall be revocable at any time by actual notice to the Board of Directors or the manager of the death or judicially declared incompetence of any record Owner or by written instrument delivered to the Board of Directors or the manager by any record owner. Where no designation is made or where a designation has been made but is revoked and no new designation made, the voting

Owner of each Lot shall be the group composed of its record Owners. If the joint Owners are unable to agree as to how their vote shall be cast, they shall forfeit the vote on the matter in question. If any Owner exercises the voting rights of a particular Lot, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. If more than one (1) person exercises the voting rights for a particular Lot, their votes shall not be counted and shall be deemed void.

Section 8. Voting Rights. The Association shall have two classes of voting membership according to the following provisions:

Class A. Each Owner of a Lot other than Declarant shall be a Class A member and shall be entitled to one vote for each Lot owned.

Class B. Declarant shall be a Class B member. Class B membership entitles the holder to three (3) votes for each Lot owned. Class B membership shall be irreversibly converted to Class A membership on the first to occur of the following:

A. The total outstanding votes held by Class A members equal the total outstanding votes held by the Class B member; or

B. Two (2) years from the date of the first conveyance of a Lot in the Project.

Any provision in the governing instruments calling for membership approval of action taken by the Association, except provisions with respect to the action to enforce the obligations of Declarant under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two (2) outstanding classes of membership. Except with respect to the action to enforce the obligations of Declarant under any completion bond, any requirement in the governing instruments that the vote of Declarant shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B members to Class A members, and the same shall be read as requiring the prescribed percentage of Class A members and the prescribed percentage of Class A members other than Declarant.

Section 9. Majority of Owners. As used in these Bylaws, the term "majority of owners" shall mean those Lot Owners holding more than fifty percent (50%) of the voting power of the Project.

Section 10. Quorum. Except as otherwise provided in these Bylaws, or in the Declaration, the presence in person or by proxy of Owners holding more than fifty percent (50%) of the voting power of the Lots shall constitute a quorum at all meetings of Lot Owners. Unless otherwise expressly provided herein, or in the Declaration, any action may be taken at any regular or special meeting of the Owners upon the affirmative vote of Owners holding at least fifty-one percent (51%) of the voting power of Members present at such meeting.

Section 11. Action Without a Meeting. Any action which may be taken by the vote of Owners at a regular or special meeting, except the election of Directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code.

Section 12. Consent of Absentees. The transaction of any business at any meeting of the Association, whether an annual or special meeting, shall be valid whether or not such meeting is held after regular call and notice thereof if: (i) a quorum is present either in person or by proxy and (ii) if before or after such meeting, each Owner entitled to vote if he had been present in person or by proxy at such meeting 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 and approvals shall be filed with the records of the Association and made a part of the minutes of the meeting.

Section 13. Proxies. At all meetings each Owner may vote in person or by proxy. All proxies shall be in writing and filed with the secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Owner of his Lot.

Any form of proxy or written ballot distributed by any person to the Owners shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Owner specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

Section 14. Parliamentary Procedure. Meetings of the Association members shall be conducted in accordance with the provisions of Section 1363 of the Civil Code.

ARTICLE III

Board of Directors

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons, who need not be Owners of Lots in the Project until conversion of Class B membership to Class A, after which time all Directors must be Owners of Lots in the Project or the nominee of any corporate or partnership Lot Owner. The number of Directors may be increased or decreased from time to time (but in no event shall be less than three) by an amendment to these ByLaws.

Nomination for election to the Board of Directors shall be made by a Nomination 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 and two or more members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Owners and such Committee shall make as many nominations for election to the Board as it shall determine, but not less than the number of vacancies that are to be filled.

Section 2. Powers and Duties. Subject to the limitations of the Articles, these ByLaws and the Declaration as to action required to be taken, authorized, or approved by the members of the Association, or a portion or percentage thereof, all Association powers and duties including those set forth in the Declaration shall be exercised by, or under the authority of, the Board of Directors and the business and affairs of the Association shall be controlled by the Board.

Section 3. Election and Term of Office. At the first meeting of the Owners, three (3) persons shall be elected to the Board to serve until the first annual meeting of the Owners and at each annual meeting thereafter, Lot Owners shall elect Directors for a term of one (1) year. Directors shall hold office until their successors have been elected by the Lot Owners.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Owners shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

Section 5. Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed from office by a vote of a majority of the Owners, subject to the provisions of cumulative voting as hereinafter provided.

Any Director who has been absent from three (3) consecutive regular meetings of the Board may be removed as a Director by the majority vote of the other Board members and if so removed, the vacancy may be filled by the remaining members of the Board for the balance of the term of such Director.

The term of any Director who becomes more than thirty (30) days delinquent in the payment of any assessments due to the Association shall automatically be terminated and the remaining Directors shall appoint his successor for the balance of his term.

Section 6. Organization Meeting. The first meeting of the newly elected Board of Directors shall be held within three (3) days, or sooner, of their election at the organization meeting of the Owners at such place as shall be fixed by the Directors. Notice shall be given to the newly elected Directors in order legally to constitute such meeting.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least one such meeting shall be held every three (3) months. The meeting place shall ordinarily be within the Project unless, in the judgment of the Board of Directors, a larger meeting room is required than exists within the Project, in which case the meeting room selected shall be as close as possible to the Project. Notice of the time and place of the regular meetings of the Board of Directors, shall be posted at a prominent place or places within the common area and shall be given to each Director personally or by mail, telephone, or telegraph at least four (4) days prior to the date named for such meeting unless the time and place of meetings is fixed by these Bylaws; provided,

however, that notice of a meeting need not be given to any governing body member who has signed a waiver of notice or a written consent to holding of the meeting. If the common area of the Project consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by written notice signed by the President or by any two (2) Directors other than the president by three (3) days notice to each Director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided), and the purpose of the meeting; provided, however, notice of the meeting need not be given to any Director who signed a waiver of notice or a written consent to the holding of the meeting. Notice of the meeting shall be posted or communicated in the manner prescribed for notice of regular meetings.

Section 9. Notice. Unless the time and place of meetings is otherwise provided in these Bylaws, or unless the Bylaws provide for a longer period of notice, Members shall be given notice of the time and place of a meeting (as hereinafter defined), except for an emergency meeting, at least four (4) days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the common area, by mail or delivery of the notice to each Lot in the Project, or by newsletter or other similar means of communication.

Section 10. Emergency Meetings. An emergency meeting of the Board may be called by the President, or by any two (2) members of the Board other than the President, if there are circumstances that could not have been reasonably foreseen, which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required by this Article III.

Section 11. Owners Attendance at Meetings.

A. Regular and special meetings of the Board of Directors shall be open to all Members of the Association; provided, however, that the Association Members who are not on the governing body may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

B. The Board of Directors may, with the approval of a majority of its members present at a meeting at which a quorum for the transaction of business 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 that relate 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 shall first be announced in open session and generally noted in the minutes of the Board. Any matter discussed in executive session shall be generally noted in the minutes of the Board.

C. In any matter relating to the discipline of an Association member, the Board shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

D. Whenever two or more associations have consolidated any of their functions under a joint neighborhood association or similar organization, members of each participating association shall be entitled to attend all meetings of the joint association other than executive sessions, shall be given reasonable opportunity for participation in those meetings and shall be entitled to the same access to the joint association's records as they are to the participating association's records.

E. As used in this Section 11, "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

Section 12. Minutes of Meetings. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of the Association, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member of the Association upon request and upon reimbursement of the Association's costs in making that distribution.

Members of the Association shall be notified in writing at the time that the proforma budget required in Section 1365 of the California Civil Code is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

Section 13. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 14. Fidelity Bonds. The Board shall obtain fidelity bond coverage on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the professional managing agent of the Association, whether or not such persons are compensated for their services, in an amount equal to the maximum of funds including reserves in the custody of the Association or a management agent at any given time during the term of the fidelity bond but in no event less than an amount equal to three (3) months of assessments for the entire Project, including reserves.

Section 15. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the

Board shall consent in writing to the action to be taken. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors and such action by written consent shall have the same force and effect as the unanimous vote of such Directors.

If the Board of Directors resolves by unanimous written consent to take action without a meeting, an explanation of the action taken shall be posted at a prominent place or places within the common area of the Project within three (3) days after the written consent of all members of the Board of Directors have been obtained. If the common area consists only of an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board of Directors shall communicate such explanation by any means it deems appropriate.

ARTICLE IV

Financial Statements

In all cases where the Project consists of fifty (50) or more Lots, the Association must provide an audited financial statement for the preceding fiscal year if the holder, insurer or guarantor, of any first mortgage that is secured by a Lot in the Project submits a written request for the same. If the Project consists of fewer than fifty (50) Lots, and there is no audited financial statement available, any mortgage holder shall have the right to have an audited financial statement prepared provided that the same shall be at its sole cost and expense.

ARTICLE V

Increase in Regular and Special Assessments

A. The Board of Directors must, prior to any increase in assessments, comply with the provisions of Section 1366 of the Civil Code.

B. The Board of Directors may not, levy special assessments without complying with the provisions of Section 1366 of the Civil Code.

C. For the purposes of complying with Section 1366 of the Civil Code, a quorum means more than fifty percent (50%) of the Members of the Association.

D. Any meeting or election of the Association for purposes of complying with paragraphs A and B of this Article V shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code.

E. Notwithstanding any other provision contained in this Section, the Board of Directors may increase assessments necessary for emergency situations pursuant to Section 1366 of the Civil Code.

ARTICLE VI

Reserve Funds

The Board of Directors shall not expend funds designated as reserve funds for any purpose other than those purposes set forth in Section 1365.5 of the Civil Code.

ARTICLE VII

Cumulative Voting

An Owner shall be entitled to cumulate his or her votes for one or more candidates for the Board of Directors if the candidate's name or candidates' names have been placed in nomination prior to the voting and if an Owner has given notice at the meeting prior to the voting of his or her intention to cumulate votes. If any one Owner has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of Directors to be elected, shall be deemed elected.

The entire Board of Directors or any individual Director may be removed by a vote of the voting owners holding a majority of the voting power in the Project. Unless the entire Board of Directors is removed from office, no individual Director shall be removed prior to the expiration of the term of his office if the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of Directors were then being elected. If any Director is removed in the manner authorized above, a new Director may be elected at the same meeting.

All voting shall be by secret written ballot.

Notwithstanding anything to the contrary contained herein or in the Declaration or in the Articles of Incorporation: (a) from the first election of the Board of Directors and thereafter for so long as a majority of the voting power of the Association resides in Declarant, or so long as there are two (2) classes of membership in the Association, twenty percent (20%) but not less than one (1) of the incumbents on the Board of Directors shall be elected solely by the votes of Owners other than Declarant; and (b) except as herein otherwise provided in Section 5, Article III, a Director who has been elected to office solely by the votes of Owners other than Declarant may be removed from office prior to the expiration of his term only by the vote of a majority of the voting power residing in Owners other than Declarant.

ARTICLE VIII

Officers

Section 1. Designation. The principal officers of the Association shall be a president and a vice-president (both of whom shall at all times be members of the Board),

a secretary and a chief financial officer and such other officers as the Board may create from time to time by resolution.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and each officer shall hold office for one (1) year unless he shall sooner resign or shall be removed or otherwise disqualified to serve.

Section 3. Resignation and Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular or special meeting of the Board of Directors.

Section 4. President. The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the president of an Association, including but not limited to the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice-President. The vice-president shall take the place of the president and perform his duties whenever the president shall be absent or unable to act. If neither the president nor the vice-president is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. The vice-president shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. The secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all of the duties incident to the office of secretary.

Section 7. Chief Financial Officer. The chief financial officer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall 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 may from time to time be designated by the Board of Directors.

ARTICLE IX

Maintenance of Documents and Inspection of Books and Records

Section 1. Maintenance of Documents. Commencing not later than ninety (90) days after the close of escrow of the first interest in the Project, copies of the documents listed below, as soon as readily obtainable, shall be delivered by Declarant to the Board of Directors of the Association at the office of the Association, or at such other place as the Board of Directors of the Association shall prescribe. The obligation to deliver the

documents listed below shall apply to any documents obtained by Declarant no matter when obtained; provided, however, such obligation shall terminate upon the earlier of (i) the conveyance of the last interest in the Project covered by a Subdivision Public Report, or (ii) three (3) years after the expiration of the most recent public report on the Project:

- A. The recorded subdivision map or maps for the Project.
- B. The deeds and easements executed by Declarant conveying the common area or other interest to the Association, to the extent applicable.
- C. The recorded covenants, conditions and restrictions for the Project, including all amendments and annexations thereto.
- D. The Association's filed Articles of Incorporation and all amendments thereto.
- E. The Association's Bylaws and all amendments thereto.
- F. All architectural guidelines and all other rules regulating the use of an Owner's interest in the Project or the use of the common area which have been promulgated by the Association.
- G. The plans approved by the local agency or county where the Project is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- H. All notice of completion certificates issued for common area improvements (other than residential structures).
- I. Any bond or other security device in which the Association is the beneficiary.
- J. Any written warranty being transferred to the Association for common area equipment, fixtures or improvements.
- K. Any insurance policy procured for the benefit of the Association, its Board of Directors or the common area.
- L. Any lease or contract to which the Association is a party.
- M. The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the members of the Board of Directors and of committees of the Board of Directors of the Association.

N. Any instrument referred to in Business and Professions Code Section 11018.6(d) but not described above which establishes or defines the common, mutual or reciprocal rights or responsibilities of members of the Association.

Commencing not later than ninety (90) days after the annexation of additional phases to the Project, copies of those documents listed above which are applicable to that phase, shall, as soon as readily obtainable, be delivered by the Declarant to the Board of Directors of the Association at the office of the Association, or at such other place as the Board of Directors of the Association shall prescribe. The obligation to deliver the documents listed above shall apply to any documents obtained by Declarant no matter when obtained; provided, however, such obligation shall terminate upon the earlier of (i) the conveyance of the last interest in the Project covered by a Subdivision Public Report or (ii) three (3) years after the expiration of the most recent Public Report on the Project.

Section 2. Rights of Members.

A. The membership register including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members of the Association, of the Board of Directors and of committees of the Board of Directors of the Association shall be made available for inspection and copying by any Member of the Association or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board of Directors shall prescribe.

B. (1) In the case of the minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Association, other than an executive session, shall be available to Members within thirty (30) days of the meeting and shall be distributed to only Members upon request and payment of the fee prescribed in Section 2(iii) below.

(2) At the time of any general mailing, Members of the Association shall be notified in writing of their right to have copies of the minutes of meetings of the Association and as to how and where those minutes may be obtained and the cost of obtaining such copies.

Section 3. Adoption of Rules. The Board of Directors shall establish reasonable rules with respect to: (i) Notice to be given to the custodian of the records by a Member desiring to make the inspection; (ii) hours and days of the week when such an inspection may be made; and (iii) payment of the cost of reproducing copies of documents requested by a Member.

Section 4. Rights of Directors. 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 or copies of documents.

Section 5. Copies of Project Documents. The Association shall make available to Owners, eligible insurers, or guarantors and eligible mortgage holders, current copies

of the Declaration, Bylaws, Articles or other rules concerning the Project and the books, records and financial statements of the Association. The term "available" means available for inspection and copying, upon request, during normal business hours or under other reasonable circumstances. Financial statements shall be provided to Owners, eligible insurers or guarantors and eligible mortgage holders free of charge.

ARTICLE X

Amendments To Bylaws and Articles of Incorporation

Section 1. Two Class Voting Structure in Effect. If a two class voting structure is still in effect in the Association: (i) the Bylaws may be amended only with the vote or written consent of Members entitled to cast at least sixty-six and two-thirds percent (66-2/3%) of the voting power of each class of Membership in the Association; and (ii) the Articles may be amended only with (a) the vote or written consent of Members entitled to cast at least sixty-six and two-thirds percent (66-2/3%) of the voting power of each class of Membership in the Association and (b) the vote or written consent of a majority of the Board of Directors.

Section 2. One Class Voting Structure in Effect. If a two (2) class voting structure is no longer in effect in the Association because of the conversion of Class B Membership to Class A Membership as provided herein and in the Declaration: (i) the Articles of Incorporation may be amended only with the vote or written consent of (a) Members holding sixty-six and two-thirds (66-2/3%) of the voting power of the Association; and (b) Members holding sixty-six and two-thirds percent (66-2/3%) of the voting power held by Members other than Declarant; and (c) the vote or written consent of a majority of the Board of Directors; and (ii) the Bylaws may be amended only with the vote or written consent of (a) Members holding fifty-one percent (51%) of the voting power of the Association; and (b) Members holding fifty-one percent (51%) of the voting power held by Members other than Declarant.

Section 3. Percentage. Notwithstanding Sections 1 and 2 of this Article X, the percentage of the voting power of the Association or of Members other than Declarant necessary to amend a specific Article, clause, or provision of these Bylaws and/or the Articles of Incorporation shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that Article, clause, or provision.

ARTICLE XI

Disciplinary Proceedings

Section 1. Notice and Hearing.

A. No discipline shall be imposed upon an Owner for failure to comply with any terms and provisions of the management documents of the Association until a hearing has been held by the Board. Written notice of the hearing shall be served on the Owner not less than fifteen (15) days and not more than thirty (30) days prior to the date of such hearing. The notice shall specify the grounds of complaint against the Owner,

the action proposed to be taken against the Owner and the time, date and place the hearing will be held. The notice shall further inform the Owner that he will have the right to be heard in his own defense and that after the hearing, the Board will determine whether any discipline should be imposed and, if so, the extent of the discipline.

B. Notice of the hearing may be given personally or by first class or registered mail, sent to the Owner at the last address of the Owner shown on the books of the Association.

C. Any action challenging the expulsion, suspension or termination of Membership, including any claim alleging defective notice, must be commenced within one (1) year after the date of the expulsion, suspension or termination. In the event such an action is successful, the court may order any relief, including reinstatement, it finds equitable under the circumstances, but no vote of the Members or of the Board may be set aside solely because the Owner was at the time of the vote wrongfully excluded by virtue of the challenged expulsion, suspension or termination, unless the court finds further that the wrongful expulsion, suspension or termination was in bad faith and for the purpose, and with the effect, of wrongfully excluding the Owner from the vote or from the meeting at which the vote took place, so as to affect the outcome of the vote.

D. The hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which reasonable persons ordinarily rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Irrelevant and unduly repetitious evidence shall be excluded.

E. The Owner shall have the right to testify in his own behalf, to call and examine witnesses, to introduce exhibits, and to rebut the evidence against him.

Section 2. Remedies of the Association. If, after a hearing held in accordance with the provisions of Section 1 of this Article XI, the Board finds that the Owner has failed to comply with the Management Documents, the Board may, but need not, impose the following discipline:

A. For an Owner's first infraction, the Board may suspend the Owner's voting rights for a period of not more than one (1) month.

B. For each succeeding infraction, the Board may suspend the Owner's voting rights for up to a total period of time equal to one (1) month plus one (1) month for each prior infraction that the Owner has committed.

C. If the Board finds that the Owner has engaged in flagrant and/or repeated violation of the Management Documents, the Board may permanently suspend the Owner's voting rights.

D. The Board may, in addition to or in lieu of the suspensions provided for above, impose a fine for an Owner's first or any subsequent violation of the

Management Documents. The maximum amount of fine that may be imposed shall be fixed from time to time by the Board and included in the Association's Rules. Such fine may vary depending on the number of prior infractions by an Owner and/or the severity of the infraction for which the fine is imposed.

The Board shall inform the Owner by written notice of its decision and the discipline imposed, if any, within ten (10) days after the date of the hearing.

Section 3. Policy Regarding Monetary Penalty. If the Association adopts or has adopted a policy imposing any monetary penalty, including any fee, on any Association Member for a violation of the governing documents or rules of the Association, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall adopt and distribute to each Member, by personal delivery or first class mail, a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for Member discipline contained in the governing documents. The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was adopted and distributed to the Members pursuant to this subdivision. The Board shall meet in executive session if requested by the Member being disciplined and the Member shall be entitled to attend the executive session.

ARTICLE XII

Exculpation and Indemnification

In addition to any limitations on liability otherwise applicable under law, including specifically California Civil Code Section 1365.7, no Member of the Board, nor any officer (including the Declarant and its agents, employees, officers and directors) shall be personally liable to any Owner, or to any other party, for any damage, loss or prejudice suffered or claimed on account of any act or omission of the Association, any Member of the Board any officer, Declarant, or any other representative or employee of the Association, provided that the Board Member, officer, or the Declarant has, upon the basis of such information as may be possessed by him, acted in good faith. The Association shall, and hereby agrees to, indemnify and hold harmless the Board (and each Member thereof), and the officers of the Association (and each of them) and any Members of a committee created by the Board, from all claims, actions, obligations, expenses and liabilities of any kind or nature including attorneys fees, incurred in connection with any proceeding to which he or she is a party by reason of his or her being a Member of the Board or of a committee, or an officer of the Association, except in such cases where he or she has committed a willful misfeasance or malfeasance in the performance of his or her duties.

Neither Declarant, its agents or employees, nor the Association, any Member of the Board, or any officer, nor any of them, shall be liable for any failure to provide any service or perform any duty, function or responsibility designated or provided in the Declaration or these Bylaws, unless caused by his, her or its willful misconduct.

The Association shall have the power to indemnify any "agent" to the fullest extent provided by the statutes pertaining to non-profit mutual benefit corporations as set forth in the California Corporations Code.

ARTICLE XIII

Conflicts

These Bylaws are intended to comply with the requirements of the Civil Code of the State of California commencing at Section 1350. In case any of these Bylaws, the Articles, or the Declaration conflict with the provisions of said statutes, the provisions of such statutes shall control. In the event of any conflict between these Bylaws and the Articles, the Articles shall control and in the event of any conflict between these Bylaws or the Articles and the Declaration, the Declaration shall control.

ARTICLE XIV

Evidence of Membership, Seal

Section 1. Evidence of Membership. The Board shall have the power, but not the obligation, to cause the issuance of evidence of the Membership in the Association to the Members thereof in such form as the Board shall determine.

Section 2. Seal. The Association shall have a seal in circular form having within its circumference the name of the Association, its date of incorporation and such other matters as may be required by the laws of the State of California.

ARTICLE XV

Insurance

A. The Board shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, which shall be distributed within sixty (60) days preceding the beginning of the Association's fiscal year, that includes all of the following information about each policy:

1. The name of the insurer.
2. The type of insurance.
3. The policy limits of the insurance.
4. The amount of deductibles, if any.

B. The Association shall, as soon as reasonably practicable, notify its Members by first class mail if any of the policies described in paragraph (a) have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the

deductible, as to any of those policies. If the Association receives any notice of nonrenewal of a policy described in paragraph (a), the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

C. To the extent that any of the information required to be disclosed pursuant to paragraph (a) is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members.

D. The summary distributed pursuant to paragraph (a) shall contain, in at least 10-point boldface type, the following statement: "This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request, and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

ARTICLE XVI

Miscellaneous

Section 1. Checks, Drafts, Etc. Except for reserve funds which require the signatures of two (2) members of the Board or one (1) officer who is not a member of the Board and one (1) member of the Board, unless the Board authorizes more stringent requirements, any check or other negotiable instrument issued by the Association may be signed by any one (1) of the following officers: the President, the Vice-President, the Chief Financial Officer or the Secretary. Any authorized officer or employee of a professional management company selected by the Association may also sign on checks issued by the Association subject to such restrictions as the Board may impose.

Section 2. Contracts, Etc., How Executed. The Board, except as in the Bylaws otherwise provided, 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; and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 3. Invalidity. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability, or effect of the remainder of these Bylaws.

Section 4. Captions. The captions herein are inserted as a matter of convenience and for reference and in no way define, limit, or describe the scope of these Bylaws or the intent of any provision thereof.

Section 5. Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may have occurred.

Section 6. Definitions. Unless separately defined herein or the context otherwise requires, the names, words and phrases used herein shall have the same meaning as set forth in the Declaration and the definitions therein contained are incorporated herein by this reference.

Section 7. Fiscal Year. Unless otherwise determined by the Board of Directors, the fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of each year, except that the first fiscal year shall begin on the date of incorporation.

DATED: _____

CERTIFICATE

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of DAHLIA ESTATES HOMEOWNERS ASSOCIATION and that the foregoing Bylaws constitute the original Bylaws of said Association as duly adopted at a meeting of the Board of Directors held on the ____ day of _____, ____.

IN WITNESS WHEREOF, I have subscribed my name this ____ day of _____, ____.

Secretary