

BY-LAWS
OF
DERRWOOD ESTATES NUMBER 2
AN UNICORPORATED ASSOCIATION

ARTICLE I

General Provisions

Section 1. OFFICE. The office of this association shall be located in Monterey Park, County of Los Angeles, State of California.

Section 2. PURPOSE. The specific and primary purpose for which this association is formed is to exercise the powers granted to it by the Declaration of Restrictions for Derrwood Investment Company and Alester Corporation, a joint venture, as the same may be recorded in the office of the County Recorder of Los Angeles County and as from time to time amended.

Section 3. DESCRIPTION OF PROPERTY. The property with which these By-Laws are concerned is located in the City of Monterey Park, County of Los Angeles, State of California, and more specifically described as:

Lots 1 through 15, inclusive, of Tract Number 24885, City of Monterey Park, County of Los Angeles, State of California, as per map recorded in Book 864, Pages 62 and 63 of Maps in the office of the County Recorder of said County.

ARTICLE II

Section 1. Each owner of a lot relating to the property described in Article I of these By-Laws, said property being hereinafter called "Real Property" shall be a member of this association. The transfer of title to any such lot shall automatically transfer the membership appurtenant thereto to the transferee. No such membership may be severed from the lot to which it is appurtenant or transferred except in connection with a conveyance of the member's interest or ownership of such lot. In the event that any such lot is owned by two or more persons, then such persons shall designate in writing to be filed with this association which one of them shall represent (as a "member") the interests of said lot in the association, and, in the absence of such designation, this association may select which one of such persons shall act as such member.

ARTICLE III

Membership Fees and Assessments and Lien Rights

Section 1. MEMBERSHIP FEES AND ASSESSMENTS. The Board of Directors shall fix and determine from time to time the fees and assessments to be paid by each member in reasonable sums determined as provided in the Declaration of Restrictions above referred to. The officers of this association are authorized to bring an action at law against any member for any such membership fees or assessments which are delinquent.

Section 2. LIEN RIGHTS. This association, for the purpose of enforcing payment of said fees and assessment, shall have a lien against the interest of any member in said Real Property to secure the faithful performance in compliance with these By-Laws and the full and prompt payment of all fees and assessments levied by the Board of Directors, and in the event of non-performance or a default by any member, said interest of such member may be foreclosed by this association in a manner similar to the provisions of Section 1356 of the California Civil Code, and any redemption thereafter shall be subject to the lien hereby created as to other or future events of non-performance or default, and the lien hereby created shall likewise apply to the Grantee of any Sheriff's Deed after foreclosure as to other or future events of non-performance or default; provided, however, it is specifically understood that the lien hereby created shall, at all times be subordinate and inferior to the lien of any bona fide lending institution which now exists or is hereafter placed on said Real Property or any part or parcel thereof.

Section 3. PAYMENT OF ASSESSMENTS AND VOTING RIGHTS. Derrwood Investment Co. and Alester Corporation, a joint venture, the developer of the Real Property described in Article I hereof, and any successor in interest, shall be liable to pay all fees and assessments levied by the Board of Directors against any unsold lot for the period commencing with the completion of construction of the lot or lots in question and continuing to the first sale thereof at the same time, in the same manner and in the same amounts as any other member and during said period shall have the same rights with reference to said unsold lot, including voting rights hereunder, i.e., one vote for each unsold lot, as any other owner of a lot or lots in said subdivision. The developer shall not make or cause to be made any contract which binds this association in excess of one year.

ARTICLE IV

Membership Rights and Privileges

No member shall have the right without the prior approval of the Board of Directors to exercise any of the powers or to perform any of the acts by these By-Laws delegated to the Board of Directors as in Article VI of these By-Laws more fully provided.

ARTICLE V

Section 1. PLACE OF MEETINGS. All meetings of members shall be held at the principal office of the association which shall be on the property, or at a place as close thereto as possible; said meetings shall not be held outside of Los Angeles County unless unusual conditions exist.

Section 2. ANNUAL MEETINGS OF MEMBERS. The annual meetings of members shall be held on the first day of December of each year commencing with the year 1976; provided, however, that should said day fall upon a legal holiday, then any such annual meeting of members shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday, provided that in any event an organizational meeting shall be held within six months after sale of the first lot. Notwithstanding the foregoing, said organizational meeting shall be held within 45 days after the closing of the sale of the eighth lot. All directors shall be chosen at the organizational meeting and shall serve until the next annual meeting and until their successors are elected.

Written notice of each such annual meeting shall be given to each member either personally or by sending a copy of the notice through the mail or by telegraph, charges prepaid, to his address appearing on the books of the association or supplied by him to the association for the purpose of notice. If a member supplies no address, notice shall be deemed to have been given him if mailed to the place where the principal office of the association is situated, or published at least once in some newspaper of general circulation in the county of said principal office. All such notices shall be sent to each regular member not less than ten days and not more than sixty days before each annual meeting, and shall specify the place, the day and the hour of such meeting.

Section 3. SPECIAL MEETINGS. Special meetings of members for any purpose or purposes whatsoever shall be promptly called by the Board of Directors upon the vote for such a meeting by a majority of a quorum of the Board of Directors or by receipt of a written request therefor signed by members representing not less than twenty-five percent (25%) of the total voting power of

association or by members representing not less than fifteen percent (15%) of the voting power residing in members other than the subdivider. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of members. Notices of any special meeting shall specify in addition to the place, day and hour or such meeting, the general nature of the business to be transacted.

Section 4. ADJOURNED MEETINGS AND NOTICE THEREOF. Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the members present in person or represented by proxy, but in the absence of a quorum, no other business may be transacted at any such meeting.

When any membership meeting, either annual or special, is adjourned for thirty (30) days or more, notice 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 any adjourned meeting, other than by an announcement at the meeting at which such adjournment is taken.

SECTION 5. ENTRY OF NOTICE. Whenever any member has been absent from any meeting of the membership, whether annual or special, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such member as required by law and the By-Laws of the association.

Section 6. VOTING. At all meetings of members each member shall be entitled to one vote for each single lot owned by him in said property. Such vote may be viva voce or by ballot, provided that all elections for election or removal of directors must be by secret written ballot. Any such member at any election for election or removal 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 or removed multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principal 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. Notwithstanding the foregoing, in the event that the cumulative voting power of members other than the subdivider is not sufficient to elect one member to the Board of Directors, the election of that one member shall be carried out solely through the votes of those members other than the subdivider. A member of the Board of Directors who has been elected to office solely by the votes of non-subdivider members of the association may only be removed from office prior to the expiration of his term by at least a simple majority of the voting power residing in non-subdivider members of the association.

Section 7. QUORUM. The presence in person or by proxy of a majority of the membership votes entitled to vote at any meeting shall constitute a quorum for the transaction of business. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum. A majority of those members present at any one time shall prevail on all matters brought before the meeting at that time. If any meeting cannot be held because a quorum is not present, the members present, either in person or by proxy, may, as otherwise provided by law, adjourn the meeting to a time not less than 5 days nor more than 30 days from the time the original meeting was called; provided that such action of adjournment as herein contemplated can take place only if twenty-five percent (25%) of said members are present in person or by proxy at the time of the vote upon the motion for adjournment.

Section 8. CONSENT OF ABSENTEES. The transactions of any meeting of members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the records or made a part of the minutes of the meeting.

Section 9. ACTION WITHOUT MEETING. Any action, which may be taken at a meeting of the members, may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary of the association.

Section 10. PROXIES. Every person entitled to vote or execute consents shall have the right to do so either in person or by agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of this association, provided that no such proxy shall be valid after the expiration of eleven months from the date of its execution, unless the member executing it specifies therein the length of time for which the proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution, and provided further that in no event shall a proxy continue in force after the person granting such proxy is no longer entitled to membership in the association as defined in Article II above.

Section 11. INSPECTION OF RECORDS.

(a) The membership register; books of account; and minutes of membership meetings, Board of Directors meetings, and such other association committee meetings as might be held shall be made available for inspection and copying by any member of the association, or his duly appointed representative, at any reasonable time and for a purpose reasonable related to his interest as a member, at the office of the association or at such other place on the property as the Board of Directors shall prescribe.

(b) Notice of a request for inspection or copying must be given to the Secretary of the association at least 72 hours in advance of the time designated for inspection or copying; said inspection or copying shall occur between 9:00 a.m. and 5:00 p.m. on any weekday not a legal holiday. Said requesting member shall bear the reasonable cost of copying said documents.

(c) Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the association and all the tangible assets owned or controlled by the association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE VI

Directors

Section 1. POWERS. Subject to limitations of the Articles of Association and of the By-Laws, as to action to be authorized or approved by the members, and subject to the duties of directors as prescribed by the By-Laws, all powers shall be exercised by or under the authority of, and the business and affairs of the association shall be controlled by the Board of Directors. Any management body or agent named by said Derrwood and Alester joint venture shall be employed to manage only until the first annual election of Directors, at which time the same or another body or agent shall be elected by a majority of the directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers:

First: To select and remove all the other officers, agents, and employees of the association, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Association or By-Laws, fix their compensation and require from them security for faithful service.

Second: To conduct manage and control the affairs and business of the association, and to made such rules and regulations therefor not inconsistent with law, with the Articles of Association or the By-Laws as they may deem best.

Third: To change the principal office for the transaction of the business of the association from one location to another within the same county, and to designate any place within the County of Los Angeles for the holding of any membership meeting.

Fourth: To manage, operate, maintain and repair any personal property or any real property owned by the association, together with all buildings, structures, and other improvements on said real property, including (by way of description and not by way of limitation) the following:

(a) To contract and pay for (1) fire, casualty, liability and other insurance insuring said property owned by the association and (2) bonding expense incurred in bonding the officers and directors of the association.

(b) To pay all charges for water metered or charged to the association in the operation and maintenance of property owned by the association.

(c) To provide and pay for appropriate lighting on all property owned by the association.

(d) To maintain, repair and paint the property owned by the association and any improvements now or hereafter constructed thereon, and to provide and pay for maintenance and/or janitorial service for said property.

(e) To landscape, care for, maintain and water all planted areas of said property.

(f) To restore or replace any or all of said buildings, structures, or improvements at any time and from time to time as the Board of Directors may determine desirable or necessary.

(g) To pay for reconstruction of any portion or portions of the project damaged or destroyed which are to be rebuilt.

(h) To purchase, own and/or sell any real and/or personal property owned by the association.

(i) To enforce each and every one of the provisions of these By-Laws or any other agreement to which this association is a party.

(j) To contract and pay for maintenance, gardening, utilities, materials and supplies, and services relating to property and to employ personnel necessary for the operation and maintenance of said property, including legal and accounting services.

(k) To pay any taxes and special assessments which are or would become a lien on the property owned by the association.

(l) To delegate any of its powers hereunder.

(m) To enter into any lot when necessary in connection with maintenance or construction for which the management body is responsible, or emergency repair for the benefit of the common area or the owners in common.

Section 2. NUMBER AND QUALIFICATIONS OF DIRECTORS. The Board of Directors shall consist of three (3) directors until changed by this section of the By-Laws, adopted by the vote or written consent of members entitled to exercise a majority of the voting power. Directors need not be members of the association.

Section 3. ELECTION AND TERM OF OFFICE. The Directors shall be elected at each annual meeting of members but if any such annual meeting is not held, or the directors are not elected there at, the directors may be elected at any special meeting of members held for that purpose. All directors shall hold office until their successors are elected. All directors shall serve concurrent terms.

Section 4. VACANCIES. Vacancies in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of members, or at a special meeting called for that purpose.

A vacancy or vacancies shall be deemed to exist in case of death, resignation, or removal of any director, or if the members shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect the additional directors so provided for, or in case the members fail at any time to elect the full number of authorized directors.

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 By-Laws is voted authorizing an increase in the number of directors.

The entire Board of Directors or an individual director may be removed from office by a vote of members holding a majority of the membership voting rights entitled to vote at an election of directors. However, unless the entire board is removed an individual director shall not be removed if the number of votes cast against the resolution for his removal exceeds the quotient arrived at when the total number of members is divided by one plus the authorized number of directors. If any or all directors are so removed new directors may be elected at the same meeting.

If any director tenders his resignation to the Board of Directors, 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 5. PLACE OF MEETING. All meetings of the Board of Directors shall be held at the principal office of the association, or at any other place within the State of California designated at any time by resolution of the Board or by written consent of all members of the Board. All meetings of the Board of Directors shall be open to all members of the association. Association members who are not on the Board of Directors 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. The Board of Directors may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 6. ORGANIZATION MEETING. Immediately following each annual meeting of members the Board of Directors 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 7. OTHER REGULAR MEETINGS. Other regular meetings of the Board of Directors shall be held without call monthly on the second Thursday of each month at 5:00 P.M., provided, however, should said day fall upon a legal holiday, then said meeting shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of the time and place of such meetings shall be posted at a prominent place or places within the common area.

Section 8. SPECIAL MEETINGS. Special meetings of the Board of Directors for any purpose or purposes shall be called at any time by the president, or if he is absent or unable or refuses to act, by any vice-president or by any two directors.

Written notice of time, place of special meetings, and the nature of the special business to be considered shall be delivered personally to the directors or sent to each director by letter or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the association, or if it is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

In case such notice is mailed or telegraphed, it shall be deposited in the United States Mail or delivered to the telegraph company in the place in which the principal office of the association is located at least seventy-two (72) hours prior to the time of the holding of the meeting. In case such notice is delivered as above provided, it shall be so delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such director. Written notice shall also be posted at a prominent place or places within the common area not less than seventy-two (72) hours prior to the scheduled time of the meeting.

Section 9. ADJOURNMENT. Notice of adjournment of any directors' meeting, either regular or special, need not be given to absent directors, if the time and place are fixed at the meeting adjourned.

Section 10. ENTRY OF NOTICE. Whenever any director has been absent from any special meeting of the Board of Directors, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such special meeting was given to such director, as required by the By-Laws of the association.

Section 11. WAIVER OF NOTICE. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, 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 and approvals shall be filed with the records or made a part of the minutes of the meeting. Notwithstanding the foregoing, notice of all meetings must be posted as required by Section 7, if a regular meeting or Section 8, if a special meeting.

Section 12. QUORUM. A majority of the directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors.

Section 13. ADJOURNMENT. A quorum of the directors may adjourn any directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum a majority of the directors present at the directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 14. FEES AND COMPENSATION. Directors shall not receive any stated salary for their services as directors. Nothing herein contained shall be construed as prohibiting any director from serving the association in any other capacity as an officer, agent, employee or otherwise, and receiving compensation therefor. Any director receiving any special compensation shall be excluded from deliberations by the Board relative to the fixing of such compensation.

ARTICLE VII

Officers

Section 1. OFFICERS. The officers of the association shall be a president, a vice-president, a secretary and a treasurer. The association may also have, at the discretion of the Board of Directors, one or more assistant secretaries, one or more assistant treasurers and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Officers other than the president need not be directors. One person may hold two or more offices, except those of president and secretary.

Section 2. ELECTION. The officers of the association, except such officers as may be appointed in accordance with the provision of Section 3 or Section 5 of this Article VII shall be chosen annually by the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. SUBORDINATE OFFICERS, ETC. The Board of Directors 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 for in the By-Laws or as the Board of Directors may from time to time determine.

Section 4. REMOVAL AND RESIGNATION. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board, or except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors or the president, or to the secretary of the association. Any such resignation shall take effect at 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 the By-Laws 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 of Directors, have supervision, direction and control of the business and officers of the association. He shall preside at all meetings of the members and at all meetings of the Board of Directors. He shall be an ex officio member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such powers and duties as may be prescribed by the Board of Directors or by the By-Laws.

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 powers of, and be subject to all the restrictions upon, the 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 of Directors or by the By-Laws.

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 of Directors may order, all meetings of directors and members, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those present at the directors' meetings, the number of members present or represented at members' meetings and the proceedings thereof.

The secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board of Directors required by the By-Laws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-Laws.

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, including accounts of its assets, liabilities, receipts, disbursements, gains, and losses. The books of account shall at all times be open to inspection by any director. The treasurer shall deposit all moneys and other valuables in the name and to the credit of the association with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the association as may

be ordered by the Board of Directors, 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 of Directors or the By-Laws.

ARTICLE VIII

Miscellaneous

Section 1. CHECKS, DRAFTS, ETC. 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 person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 2. CONTRACTS, ETC. HOW EXECUTED. The Board of Directors, except as in the By-Laws 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 a contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 3. INSPECTION OF BY-LAWS. The association shall keep in its principal office for the transaction of business the original or a copy of the By-Laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the members at all reasonable times during office hours.

Section 4. FISCAL YEAR. The fiscal year of the association shall be determined by the Board of Directors and having been so determined is subject to change from time to time as the Board of Directors shall determine.

Section 5. ANNUAL AUDIT. The Board of directors shall cause an independent external audit of the financial affairs of this association to be made at least every twelve months. Said audit to reflect the financial condition of this association as of the date of said audit and to summarize the financial transactions in which this association was involved during the period between the last of such audits and the date of the current audit. A copy of said audit will be mailed to each of the members of this association within six days after said audit is completed.

Section 6. FINANCIAL STATEMENTS. Financial statements for the association shall be regularly prepared and copies shall be mailed to each member of the association as follows:

(a) A pro forma operating statement for each fiscal year shall be mailed not less than sixty (60) days before the beginning of the fiscal year.

(b) A balance sheet as of the last day of the association's fiscal year and an operating statement for said fiscal year shall be mailed within ninety (90) days after the close of the fiscal year.

(c) For purposes of this subparagraph (c), "accounting date" shall mean the last day of the month closest in time to six months after the closing of the sale of the first lot. A balance sheet as of the accounting date and an operating statement for the period of time between the closing of the sale of the first lot and the accounting date shall be mailed within sixty (60) days after the accounting date. Said operating statement shall include a schedule of assessments received and receivable, identified by the lot number assessed and the name of the member or entity assessed.

ARTICLE IX

Notwithstanding anything to the contrary, whether expressed elsewhere in these By-Laws or in the Declaration of Restrictions affecting the Real Property, a majority of the voting power of the members shall be required in any of the following instances:

(1) Assessments for capital improvements in excess of \$1,000.

(2) Assessments to make up any deficiency in insurance proceeds.

(3) Any election or decision not to re-build all or part of a planned lot damaged or destroyed by fire or other cause.

(4) Any mortgaging, encumbering, or disposition of real or personal property of the association having a value in excess of \$1,000.

(5) Any imposition of a regular annual assessment per lot which is more than twenty percent (20%) greater than the regular assessment for the immediately preceding fiscal year.

In any vote on any of the foregoing, the developer or any successor in interest to the developer holding two or more planned lots shall be excluded in determining whether a majority have voted in favor thereof.

ARTICLE X

Amendments to By-Laws

These By-Laws may be amended by the vote or written consent of members representing a majority of the voting power of the association residing in members other than the subdivider; provided, however, that particular provisions may contain certain other percentages of voting power required for such amendment.

DERRWOOD ESTATE II
AMENDMENT TO THE BY-LAWS
MAY 15, 1981

Article V, Section 2, change annual meeting to first day of May each year.

Article VI, Section 7, delete the entire section for regular meetings.

Article VII, Section 1, change officers of the association - shall be a President, a Vice-President/Secretary and a Treasurer. Officers will automatically be Directors of the association.

Article VII, Section 2, two officers will be elected each year, a Treasurer and a Vice-President, and the current Treasurer will automatically become President of the association.

Article VIII, Section 5, change annual audit to audit when deemed necessary.

Article IX, add item #6 to read, "Any repairs or modification expenditures in excess of \$500.00".