

BYLAWS
OF
MAXWOOD TOWNHOMES OWNERS ASSOCIATION
A California Nonprofit Mutual Benefit Corporation

ARTICLE I

General Provisions

Section 1. OFFICE. The office of this corporation shall be located at 4042 - 4058 Maxson Road, City of El Monte, County of Los Angeles, State of California, on Lot 1, Tract 39256, as per map recorded in Book 950, Pages 12+19 of Official Records, in the office of the County Recorder of said County. Said Tract comprises all of the condominium project known as

MAXWOOD TOWNHOMES OWNERS ASSOCIATION

Section 2. CORPORATE PURPOSE. The specific and primary purpose for which this corporation is formed is to exercise the powers granted to it by the Declaration of Restrictions for Lot 1, Tract 39256, as the same may be recorded in the office of the County Recorder of Los Angeles County and as from time to time amended.

ARTICLE II

Section 1. Each owner of a condominium and the accompanying 1/17th individual interest in the common area, both of which are nonseparable, in the property described in Article I of these Bylaws, said property being hereinafter called "Real Property" shall be a member of this corporation. The transfer of title to any such condominium shall automatically transfer the membership appurtenant thereto to the transferee. No such membership may be severed from the condominium to which it is appurtenant or transferred except in connection with a conveyance of the member's interest or ownership of such condominium. In the event that any such condominium is owned by two or more persons, such persons shall designate in a writing to be filed with this corporation which one of them shall represent (as a "member") the interests of said condominium in the corporation, or in the absence of such designation, this corporation may select which one of such persons shall act as such member. References in these Bylaws to "condominium", "unit" or "residential unit" are synonymous.

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 corporation are authorized to bring an action at law against any members for any such membership fees or assessments which are delinquent.

Section 2. LIEN RIGHTS. This corporation, 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 corporation 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 First Trust Deed or first mortgage which now exists or is hereafter placed on said Real Property or any part or parcel thereof.

Section 3. PAYMENT OF ASSESSMENTS BY AND VOTING RIGHTS OF DEVELOPER. The developer of the real property described in Article I hereof, shall be liable to pay all fees and assessments levied by the Board of Directors against any unsold units pursuant to the methods of assessment specified in the Declaration of Covenants, Conditions and Restrictions and shall have the same rights with reference to each unsold unit, including voting rights hereunder, i.e., one vote for each unsold unit, as any other owner of a unit or units in said subdivision.

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 to perform any of the acts by these Bylaws delegated to the Board of Directors as in Article VI of these Bylaws more fully provided.

ARTICLE V

Section 1. PLACE OF MEETINGS. All meetings of members shall be held at the principal office of the corporation,

Section 2. ANNUAL MEETINGS OF MEMBERS. The annual meetings of members shall be held on the first day of October of each year commencing with the year 19____, 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 the sale of the first living unit. Directors chosen at the organizational meeting shall serve until the next annual meeting and until their successors are elected. The first meeting of the association, whether regular or special shall be held within forty-five days after closing the sale of the unit which represents the 51st percentile sale of a unit under the first public report for the subdivision but in no event later than six months after the closing of the sale of the first such unit. Notice of such meeting shall be given in the same manner as provided below for annual meetings.

Written notice of each such annual meeting and of the organizational meeting shall be given to each member either personally or by sending a copy of a notice through the mail or by telegraph, charges prepaid, to his address appearing on the books of the corporation or supplied by him to the corporation 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 corporation 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 ninety days before each annual meeting, and shall specify the place, the day and the hour of such meeting.

Section 3. SPECIAL MEETINGS. A special meeting of the members of the Association shall be promptly called by the governing body upon:

(1) The vote for such a meeting by a majority of a quorum of the Board of Directors.

(2) Receipt of a written request therefore signed by members representing not less than 5% of the total voting power of the Association.

(3) 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 of such meeting, the 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 evidence that due notice of such meeting was given to such member as required by law and the Bylaws of the corporation.

Section 6. VOTING. At all meetings of members, each member shall be entitled to one vote for each single living unit 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, subject only to the procedural requirements prescribed in Section 7615 (b) of the Corporations Code, 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 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, provided however that at least one director shall be elected solely by the votes of owner members other than the Developer (also known as "Declarant" and "Subdivider") at any election in which such owner members do not have sufficient percentage of the voting power to elect at least one director through the cumulation of all their votes.

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. Except where other voting percentages are by law, or these By-Laws, or the Declaration of Restrictions affecting the project, a majority of a quorum shall prevail on all matters brought before the meeting. 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.

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 corporate records or made a part of the minutes of the meeting.

Section 9. ACTION WITHOUT MEETING. Any action which may be taken at a regular or special meeting of the members, except the election of governing body members where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporations Code.

Section 10. PROXIES. Every person 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 person or his duly authorized agent and filed with the secretary of the corporation, 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 three (3) years from the date of its execution, and provided further than in no event shall a proxy continue in force after the person granting such proxy is no longer entitled to membership in the corporation as defined in Article II above.

ARTICLE VI

Directors

Section 1. POWERS. Subject to limitations of the Articles of Incorporation, of the By-Laws, and of the California Corporations Code 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 corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by the Board of Directors. Any management body or agent named by developer 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 corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation 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 corporation, and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation or the By-Laws as they may deem best.

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Third: To change the principal office for the transaction of the business of the corporation from one location to another within the same county; and to adopt, make and use a corporate seal, and to alter the form of such seal from time to time as in their judgment they may deem best, provided such seal shall, at all times, comply with the provisions of law.

Fourth: To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor (provided however that no property of the corporation shall be encumbered as security for any such debt, except upon the vote of the majority of the members, not including the Developer).

Fifth: To manage, operate, maintain and repair any personal property or any real property owned or controlled by the corporation, 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 or controlled by the corporation and (2) bonding expense incurred in bonding the officers and directors of the corporation.

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

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

(d) To maintain, repair and paint the property owned or controlled by the corporation and any improvements now or hereafter constructed thereon, and to provide and pay for maintenance and 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 prepare budgets and financial statements for the Association as prescribed in these By-Laws, the Declaration of Restrictions and the Articles of Incorporation.

(h) To formulate rules of operation of the common area and facilities owned or controlled by the Association.

(i) To enforce each and every one of the provisions of these By-Laws, Declaration of Restrictions and any agreement to which this corporation is a party or designated as the enforcing agency.

(j) To contract and pay for maintenance, gardening, utilities, goods, materials, services and supplies, and services relating to the property and to employ personnel necessary for the operation and maintenance of said property, including legal and accounting services but no contract for services shall exceed in duration a term of one year except with the approval of a majority of the members of this Association, excluding the vote of the Declarant.

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

(l) To delegate any of its powers hereunder to committees, officers or employees of the Association where expressly authorized by these By-Laws or the Declaration of Restrictions.

(m) Enter into any lot or unit when necessary in connection with maintenance or construction or emergency repair for which the Board is responsible or for the benefit of the common area or the owners in common.

(n) To initiate and execute disciplinary proceedings against members of the Association for violations of provisions of these By-Laws and the Declaration of Restrictions in accordance with procedures set forth in these By-Laws and the Declaration of Restrictions.

(o) To fill vacancies on the Board of Directors except for a vacancy created by removal of a member of the Board of Directors.

Section 2. NUMBER AND QUALIFICATIONS OF DIRECTORS. The Board of Directors shall consist of three (3) directors until changed by amendment of this section of the By-Laws. Directors need not be members of the corporation.

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 thereat, 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.

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 the 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. Unless the entire governing body is removed from office by the vote of members of the Association, no individual governing body member shall be removed prior to the expiration of his term of office if the votes cast against removal would be sufficient to elect the governing body member if voted cumulatively at an election at which the same total number of votes were cast and the

entire number of governing body members authorized at the time of the most recent election of the governing body member were then being elected.

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 corporation, located within the subdivision, as fixed by resolution of the Board from time to time.

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 except that a notice of time and place shall be posted at a prominent place or places within the common area.

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 a regular meeting shall be posted at a prominent place or places within the common area and shall be communicated to governing body members not less than four days prior to the meeting unless the time and place of meeting is fixed by the By-Laws 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.

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 by any two directors other than the President. Written notice of the time and place of special meetings containing a specification of the notice of any special business to be conducted 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 on the records of the corporation, 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 corporation 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 seventy-two (72) 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. Notice shall be posted in a manner prescribed for notice of regular meetings and shall be sent to all governing body members not less than 72 hours prior to the schedule time of the meeting provided, however, that notice of the meeting need not be given to any governing body member who signed a waiver of notice or a written consent to holding of the meeting.

Section 9. NOTICE OF ADJOURNMENT. Notice of adjournment of any directors' meeting, either regular or special, shall be given to all directors.

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 evidence that due notice of such special meeting was given to such director, as required by law and the Bylaws of the Corporation.

Section 11. 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 12. ACTION WITHOUT MEETING. The governing body may take actions without a meeting if all of its members consent in writing to the action to be taken.

If the governing body resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three days after the written consents of all governing body members have been obtained.

Section 13. ADJOURNMENT. A quorum of the directors may adjourn any director's 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. MEETINGS OPEN TO MEMBERS. Regular and special meetings of the Board shall be open to all members of the Association provided, however, that Association members who are not members of the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

The Board may, with the approval of a majority of a quorum of 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.

ARTICLE VII

Officers

Section 1. OFFICERS. The officers of the corporation shall be a president, a vice-president, a secretary and a treasurer. The corporation 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 corporation, except such officers as may be appointed in accordance with the provisions 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 corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided 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 corporation. 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 corporation and shall, subject to the control of the Board of Directors, have supervision, direction and control of the business and officers of the corporation. He shall preside at all meetings of the members and at all meetings of the Board of Directors. He shall be ex officio a 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, of 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 memberships 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 he shall keep the seal of the corporation in safe custody, 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 corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall be at all times open to inspection by any director. The treasurer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the corporation 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 corporation, 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 corporation, 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 corporation, 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 corporation 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 corporation 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 corporation 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. BUDGETS AND FINANCIAL STATEMENTS. The Board of Directors shall cause the preparation of reports of the financial affairs of this corporation in the manner hereinafter stated. An external audit by an independent public accountant shall not be required unless the gross income of the Association exceeds \$75,000 for a fiscal year under audit.

Financial statements shall be prepared and distributed to each member of the Association as follows:

1. A pro forma operating statement or budget for each fiscal year shall be distributed at least sixty days before the beginning of the fiscal year.

2. A balance sheet as of the accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the project and an operating statement for the period from the date of the first such closing to said accounting date shall be distributed within sixty days after the accounting date. Such operating statement shall include a schedule of assessments received and receivable identified by the number of the residential unit and the name of the person or entity assessed.

3. An annual report consisting of the following shall be distributed within 120 days after the close of the fiscal year:

- (A) A balance sheet as of the end of the fiscal year.
- (B) An operating (income) statement for the fiscal year.
- (C) A statement of changes in financial position for the fiscal year.
- (D) Any information required to be reported under Section 8322 of the Corporations Code.

Ordinarily the annual report referred to in three above shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds \$75,000.

If the report referred to in three above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

ARTICLE IX

VOTING REQUIREMENTS

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, excluding the vote of the Declarant, shall be required in any of the following instances:

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

(2) Entering into a contract with a third person wherein the third person will furnish goods or services for the common area or the owners Association for a term longer than one year with the following exceptions:

(a) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(b) A contract with a public utility company of the rates charged for the materials or services as regulated by the Public Utilities Commission, provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(c) Prepaid casualty and/or liability insurance policies of not to exceed three years duration by the insured.

(3) Incurring aggregate expenditures for capital improvements to the common area in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for the fiscal year.

(4) Selling during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year.

(5) Paying compensation to members of the governing body or to the Board of Directors of the Association for services performed in the conduct of the Association's business, provided, however, that the governing body may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(6) Filling of a vacancy on the governing body created by the removal of a governing body member.

ARTICLE X

Special Assessments

If any of the estimated assessments levied pursuant

to Article III above prove deficient for any reason, including but not limited to the installation of capital improvements, the Board of Directors shall estimate the additional charges necessary to cover said deficiency and assess said additional charges to the members provided that any such special assessment shall not exceed 5% of the budgeted gross expenses of the Association for that fiscal year without the prior vote or written approval of fifty-one percent (51%) of the members affected other than the Developer, except in case of a special assessment against an owner as a remedy utilized by the Board to reimburse the Association for costs incurred in bringing the member or his condominium into compliance with the provisions of this declaration. Said additional charges may be prorated over the number of months remaining in the calendar year in which the assessment arose, or may be assessed in one lump sum and shall be levied against and paid by the members in equal charges, except as otherwise provided herein. If the special assessment is to raise funds for the rebuilding or major repair of the structural common area, housing units of the project shall be levied upon the basis of the ratio of the square footage of the floor area of the unit to be assessed to the total square footage of floor area of all units to be assessed.

ARTICLE XI

Voting on Amendments to Articles and Bylaws

Amendments to these Bylaws and to the Articles of Incorporation of the Association may be adopted at a duly constituted meeting for such purpose or by written consent provided that all such amendments shall not be effective unless adopted as follows:

If for Bylaws, no amendment shall be effective unless approved by at least a bare majority of a quorum, but not more than a bare majority of the voting power of the Association, and by at least a bare majority of the voting power of the Association excluding the votes of the Declarant.

If for Articles of Incorporation, no amendment shall be effective unless approved by at least a bare majority of the members of the Board of Directors and at least a bare majority of the voting power of the Association and at least a bare majority of the votes of members excluding the votes of the Declarant.

ARTICLE XII

Inspection of Association's Books and Records

The membership register, books of account and minutes of meetings of the members, of the governing body and of committees of the Board of Directors shall be 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 subdivision as the Board of Directors shall prescribe.

The Board of Directors shall establish and maintain reasonable rules with respect to:

(1) Notice to be given to the custodian of the records by the member desiring to make the inspection.

(2) Hours and days of the week when such an inspection may be made.

(3) Payment of the cost of reproducing copies of documents requested by a member.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE XIII

The Board of Directors of the Association may not, without the vote or written assent of a majority of the voting power of the Association residing in members other than the Developer, impose a regular annual assessment per unit interest which is more than 20% greater than the regular assessment for the immediately preceding fiscal year.

In the event a general special assessment is levied pursuant to these Bylaws, such general special assessment shall be levied upon the same basis as is prescribed for the levying of regular assessments.

ARTICLE XIV

Special Provisions

a. Voting rights in respect of assessments, attributable to subdivision interests shall not vest until assessment against those interests have been levied by the Association.

b. The first election of a governing body for the Association shall be conducted at the first meeting of the Association. All positions on the governing body shall be filled at that election.

c. The power of the Board, as set forth in these Bylaws and the Declaration of Restrictions to adopt and enforce rules respecting the use of the common area includes, in the discretion of the Board, the right to grant easement or use rights upon and over the common area to unit owners and to third

persons, such as (but not limited to) public utilities, municipal authorities and service operations.

d. When members are required to vote upon proposed amendments to the Articles, such amendments shall require at least a majority of the voting power of the Association (unless otherwise required by statute) and at least a bare majority of the votes of members other than the subdivider, provided there are at such time, members other than the subdivider.

e. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and, in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control

CERTIFICATION OF BYLAWS

The undersigned hereby adopts the attached
Bylaws and certifies that they are the Bylaws of "Maxwood
Townhomes Owners Association."



Director of Said Association

MAXWOOD TOWNHOMES OWNERS' ASSOCIATION

[2] The president expressed thanks to Mr. Moller for his response. He then proceeded to report the expense summary for the previous years.

<u>EXPENSES</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
WATER	\$2554.53	\$2639.63	\$3066.33
ELECTRICITY	395.89	465.97	474.42
REFUSE DISPOSAL	1248.20	1198.00	1298.00
LANDSCAPING	2319.81	2022.44	1750.00
INSURANCE	2772.90	4129.25	3846.70
MISC.	282.20	50.00	00.00
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TOTAL	9573.53	10505.29	10435.45
	=====	=====	=====
EXPECTED INCOME	\$11220.00	\$11220.00	\$11220.00
YEAR END BALANCE	1646.47	714.71	784.55
	=====	=====	=====

<u>EXPENSES</u>		<u>1988</u>
INSURANCE	Expected increase, 10%	\$4200.00
WASTE DISPOSAL	+5%	1500.00
WATER	Est. \$250.00/month	3000.00
LANDSCAPING	Est. \$250.00/month	3000.00
ELECTRICITY	Est. \$50.00/month	600.00
BUSINESS MANAGER	Est. \$125.00/month	1500.00
RESERVE ACCOUNT	For future maintenance	1500.00
PROPOSED BUDGET		<u>\$15300.00</u>
INCOME PROPOSAL		
\$75.00 x 12 months x 17 units		<u>\$15300.00</u>