

BY-LAWS
OF
RORIPAUGH HILLS OWNERS ASSOCIATION

TABLE OF CONTENTS

| ARTICLE | | PAGE |
|---------|----------------------------------------------|------|
| I. | GENERAL PROVISIONS | 1 |
| | Section 1. Name | 1 |
| | Section 2. Declaration | 1 |
| | Section 3. By-Laws Applicability | 1 |
| | Section 4. Personal Application | 1 |
| | Section 5. Definitions | 1 |
| II. | MEETING OF MEMBERS AND VOTING | 1-4 |
| | Section 1. Annual Meeting | 1-2 |
| | Section 2. Special Meetings | 2 |
| | Section 3. Notice and Place of Meetings | 2 |
| | Section 4. Quorum | 2-3 |
| | Section 5. Proxies | 3 |
| | Section 6. Membership and Voting | 3-4 |
| | Section 7. Order of Business | 4 |
| III. | BOARD OF DIRECTORS: SELECTION TERM OF OFFICE | 4-5 |
| | Section 1. Number | 4 |
| | Section 2. Term of Office | 4 |
| | Section 3. Removal; Vacancies | 5 |
| | Section 4. Compensation | 5 |
| | Section 5. Action Taken Without Meeting | 5 |
| IV. | NOMINATION AND ELECTION OF DIRECTORS | 5-6 |
| | Section 1. Nomination | 5 |
| | Section 2. Election | 6 |
| V. | MEETINGS OF DIRECTORS | 6-7 |
| | Section 1. Regular Meetings | 6 |
| | Section 2. Special Meetings | 6 |

| | | |
|------------|---------------------------------------------|-------|
| Section 3. | Quorum | 6 |
| Section 4. | Open Meetings | 7 |
| Section 5. | Executive Session | 7 |
| VI. | POWERS AND DUTIES OF THE BOARD OF DIRECTORS | 7-11 |
| Section 1. | Duties | 7-8 |
| Section 2. | Powers | 8-10 |
| Section 3. | Prohibited Acts | 10-11 |
| Section 4. | Association Funds | 11 |
| VII. | OFFICERS AND THEIR DUTIES | 11-12 |
| Section 1. | Enumeration of Officers | 11 |
| Section 2. | Election of Officers | 12 |
| Section 3. | Term | 12 |
| Section 4. | Special Appointments | 12 |
| Section 5. | Resignation and Removal | 12 |
| Section 6. | Vacancies | 12 |
| Section 7. | Duties | 12 |
| VIII. | COMMITTEES | 13 |
| IX. | BOOKS, RECORDS AND FINANCIAL REPORTS | 13-15 |
| Section 1. | Financial Reports | 13-14 |
| Section 2. | Inspection by Members | 14 |
| Section 3. | Rules for Inspection | 14-15 |
| Section 4. | Inspection by Directors | 15 |
| Section 5. | Copies of Documents | 15 |
| X. | ASSESSMENTS | 15 |
| XI. | AMENDMENTS | 15 |
| XII. | SEVERABILITY | 16 |
| XIII. | MISCELLANEOUS | 16 |

BY-LAWS
OF
RORIPAUGH HILLS OWNERS ASSOCIATION

ARTICLE I
GENERAL PROVISIONS

Section 1. Name. The name of the Corporation is RORIPAUGH HILLS OWNERS ASSOCIATION, hereinafter referred to as the "Association". The principal office of the Corporation shall be located in Riverside County, California.

Section 2. Declaration. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for County of Riverside Tract 20703-1, recorded on the _____ day of _____, 1988, as Instrument Number _____, Official Records of Riverside County.

Section 3. By-Laws Applicability. The provisions of these By-Laws are applicable to the Property.

Section 4. Personal Application. All present or future owners, residents, tenants, future tenants, or their employees, or any other person that might use the facilities of the Property in any manner, are subject to the regulations set forth in these By-Laws and to the recorded "Declaration" hereinabove referred to. The mere acquisition or rental of any of the Lots in the Property or the mere act of occupancy of any of the Lots will signify that these By-Laws and the provisions of the "Declaration" are accepted, ratified, and will be complied with.

Section 5. Definitions. The definitions contained in the Declaration are incorporated herein by reference.

ARTICLE II
MEETING OF MEMBERS AND VOTING

Section 1. Annual Meeting. The first annual meeting of the members shall be held within one (1) year from the date of incorporation or establishment of the Association and not later than six (6) months after the close of escrow on the sale of the first Lot in the Property and within forty-five (45) days after the closing of the sale of the Property interest which represents the fifty-first (51st) percentile interest authorized for sale under the first public report for the Property, whichever first occurs. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent annual regular meetings of the members shall be held within thirty (30) days of the same day of the same month of each year

thereafter at the hour of 7:30 o'clock p.m. If the day the annual meeting of members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday (excluding Saturday and Sunday).

Section 2. Special Meetings. Special meetings of the members shall be promptly scheduled by the Board in response to a vote of a majority of a quorum of the Board of Directors or upon written request of members representing not less than five percent (5%) of the total voting power of the Association or at the request of the Federal Housing Commissioner, Administrator of Veterans Affairs or their duly authorized representative. If the Association is the obligee under a bond or other arrangement to secure performance of the commitment of the Declarant to complete Association Property improvements which have not been completed prior to the close of escrow of the sale of the first Lot and the provisions of the Declaration are applicable, a special meeting of the members may be called in accordance therewith.

Section 3. Notice and Place of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting, to each institutional lender requesting notice and to each member, addressed to the member's address last appearing in the books of the Association, or supplied by such members of the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting. Meetings shall be held within the project or at a meeting place within the same County, as close to the Property as possible. Institutional lenders may designate in writing a representative to attend all meetings. Any action which may be taken by a vote of the members at a regular or special meeting, 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 California Corporations Code.

Section 4. Quorum. The presence either in person or by proxy at any meeting, of sufficient members to constitute at least a bare majority of the voting power of the Association shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, a majority of the members entitled to vote thereat may, unless otherwise provided by law, adjourn the meeting to time not less than five (5) days nor more than thirty (30) days from the meeting date, at which meeting the quorum requirements shall be at least one-third (1/3) of the total voting power. 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 members in the manner prescribed for regular meetings. 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; provided that at least twenty-five percent (25%) of the total voting power of the Association remains present in person and/or by proxy and provided further that any action taken shall be approved by at least a majority of the members required to constitute a quorum.

Section 5. Proxies. At all meetings of members, each member 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 member of his Lot or upon receipt of notice by the Secretary or the Board of the death or judicial declaration of incompetence of a member, or upon the expiration of eleven (11) months from the date of the proxy. Every form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval or disapproval of each matter or group of matters to be acted upon, except that it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member 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 6. Membership and Voting. Membership shall be held as provided in the Declaration. The Association shall have two (2) classes of voting membership:

Class A: Class A members shall be all owners, with the exception of Declarant (as defined in the Declaration) and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B: The Class B member shall be the Declarant and shall be entitled to vote as follows: Voting shall be the same as for Class A memberships except that the Class B member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall forever cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(a) On the second anniversary date of the original issuance of the most recently issued Final Public Report for a phase of the Property; or

(b) On the fourth anniversary of the original issuance of the Final Public Report for the first phase of the overall development; or

(c) On March 15, 1992.

Except for any action pursuant to Article VIII, Section 8.05 of the Declaration, any provision in the Articles of Incorporation, By-

Laws or Declaration of the Association which requires the approval of a prescribed majority of the voting power of members of the Association, other than the Declarant, shall not be construed so as to preclude the Declarant from casting votes attributable to subdivision interests which it owns and all said actions shall require, during the time that there are two outstanding classes of membership, the vote or written assent of at least a bare majority of the Class B voting power as well as the vote or written assent of the prescribed majority of the Class A voting power and, in the event that there has been a conversion of Class B to Class A shares, it shall require the vote or written assent of a bare majority of the total voting power of the Association as well as the vote or written assent of the prescribed majority of the voting powers of members other than Declarant.

Section 7. Order of Business. The order of business at all meetings of the members shall be as follows:

- (a) Roll Call;
- (b) Proof of Notice of Meeting or Waiver of Notice;
- (c) Reading of Minutes of preceding meeting;
- (d) Reports of Officers;
- (e) Report of Committees;
- (f) Election of inspectors of election;
- (g) Election of a Director;
- (i) New Business.

All meetings of the members shall be governed by Roberts' Rules of Order except where such rules are inconsistent with the Declaration, Articles of Incorporation, or these By-Laws.

ARTICLE III BOARD OF DIRECTORS: SELECTION - TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of five (5) directors who need not be members of the Association until conversion of Class B membership to Class A, after which time directors must be members of the Association.

Section 2. Term of Office. At the first annual meeting of members, three (3) directors shall be elected for a term of one (1) year and two (2) directors for a term of two (2) years. Thereafter, directors shall be elected at each annual meeting of members to fill the vacancies of those directors whose term then expires and the term of each such director so elected shall be two (2) years. If any annual meeting is not held or the directors not elected thereat, the

directors may be elected at any special meeting or members held for that purpose. All directors shall hold office until their successors are elected.

Section 3. Removal; Vacancies. Unless the entire Board is removed from office by the vote of Association members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire Board was then being elected. A director who is elected solely by the votes of members other than Declarant may be removed from office prior to the expiration of his term, only by the votes of a majority of members other than Declarant. In the event of death or resignation of a director, his successor shall be selected by a majority of the remaining members of the Board or by a sole remaining director, and shall serve for the unexpired term of his predecessor. The members may elect a director at any time to fill any vacancy not filled by the directors.

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

Section 5. Action Taken Without Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors. In the event the directors, by the unanimous written consent take any action without a meeting, an explanation of the action taken shall be posted at a prominent place upon the Association property within three (3) days after the written consent of all directors has been obtained.

ARTICLE IV NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be by a Nominating Committee. Notice to the members of the meeting shall include the names of all those persons who are nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall, in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to members to solicit votes.

Section 2. Election. The first election of the Board shall be conducted at the first meeting of the Association. At such election the members or the proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of these By-Laws and the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting shall be utilized during all elections in which two (2) or more positions on the Board are to be filled; provided however, no member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidate's names have been placed in nomination prior to the voting and the member has given notice at the meeting prior to the voting of the member's intention to cumulate votes. If any one member has given such notice all members may cumulate their votes for candidates in nomination. Voting for directors shall be by secret written ballot. So long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents of the Board shall have been elected solely by the votes of the owners than other Declarant.

ARTICLE V MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such place within the Property and at such hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday. Notice of the time and place of the meeting shall be posted at a prominent place within the Association Property and a copy of said notice shall be mailed first class postage prepaid to each member of the governing Board at least ten (10) days prior to said meeting provided however, that notice of a meeting need not be given to any Board member who has signed a waiver of notice or a written consent to holding of the meeting.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association, or by any two (2) directors other than the President. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all directors and posted at a prominent place within the Association Property not less than seventy-two (72) hours prior to the scheduled time of the meeting, however, notice of the meeting need not be given to any Board member who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Open Meetings. All meetings of the Board shall be open to all members, but members other than directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

Section 5. Executive Session. The Board may, with approval of a majority of a quorum, 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 VI POWERS AND DUTIES OF THE BOARD

Section 1. Duties. It shall be the duty of the Board of Directors to:

(a) Maintain the Property as provided for in the Declaration;

(b) Procure and maintain adequate insurance as required by the Declaration;

(c) Discharge by payment, if necessary, any lien against the Association Property and assess the cost thereof to the member or members responsible for the existence of said lien;

(d) As more fully provided in the Declaration:

(i) Fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment;

(ii) Send written notice of each assessment to every owner at least thirty (30) days in advance of each annual assessment; and

(iii) Foreclose the lien against any property for which assessments are not paid on or before the due date or bring action at law against the owner personally obligated to pay same.

(e) Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes or governmental charges levied or imposed against the property or the Association;

(f) Cause to be kept a complete record of all its acts and corporate affairs and present a statement thereof to the members at

the annual meeting of its members or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members:

(g) Keep adequate and correct books and records of account, minutes and proceedings of its members, Board and committees, and a record of its members, giving their name, addresses and classes of membership;

(h) Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(i) Furnish, or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments upon a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance;

(j) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(k) Enforce these By-Laws and the Declaration.

(l) Not less frequently than quarterly, the board shall:

(i) Cause a current reconciliation of the Association's operating accounts to be made and review the same;

(ii) Cause a current reconciliation of the Association's reserve accounts to be made and review the same;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts; and

(v) Review an income and expense statement for the Association's operating and reserve accounts.

Section 2. Powers. The Board of Directors shall have the power to:

(a) Employ a professional managing agent as provided in the Declaration;

(b) Adopt rules in accordance with the provisions set forth in the Declaration;

(c) Levy and collect assessments and impose fines as provided for in the Declaration and these By-Laws;

(d) Enforce these By-Laws and the Declaration and rules in accordance with the provisions of the Declaration;

(e) Contract and pay for maintenance, gardening, utilities, materials and supplies, and services relating to the Association Property and to employ personnel necessary for the operation of the Property, including legal and accounting services. The power of the Board to contract for goods and/or services is subject to limitations as set forth in Section 3 hereof;

(f) To impose monetary penalties, suspend the voting rights and rights to use the Association Property facilities of a member who is in default in payment of any assessments levied by the Association or for any violation or infraction of the governing instruments of the Association, including the published rules and regulations thereof, provided that before any decision to impose discipline is reached, that the following procedure be followed: That the member involved be given fifteen (15) days written notice prior to the imposition of any penalty and/or suspension; that any such member shall have the right to be heard orally or in writing before the Board of the Association, not less than five (5) days before the effective date of the suspension. All notices required pursuant hereto shall be given by first class mail, postage prepaid and sent to the last address of the member shown on the records of the Association, provided further that the Association shall have no power to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of his individually-owned Lot on account of a failure by the owner to comply with the provisions of the governing instruments or of fully-enacted rules of operation for the Association Property and facilities except where the loss or forfeiture is the result of the judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the owner to pay assessments levied by the Association.

(i) Any monetary penalties imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Association Property and facilities for which the member was allegedly responsible, or in bringing the member and his Lot into compliance with the governing instruments may not be characterized nor treated as an assessment which may become a lien against the member's Lot enforceable by a sale of the interest in accordance with the provisions of Section 2924, 2924(b), and 2924(c) of the Civil Code; and

(ii) The provisions of paragraph (i) do not apply to the charges imposed against an owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred, including attorney's fees, in its effort to collect delinquent assessments.

(g) To delegate its authorities and powers to committees, officers or employees of the Association;

(h) Limit the number of an owner's guests who may use the recreational facilities;

(i) Enter onto any Lot when necessary in connection with the maintenance or construction for which the Association is responsible, or emergency repair for the benefit of the Association Property or the owners in common;

(j) Elect officers of the Association;

(k) Fill vacancies on the Board, except for vacancies created by the removal of a member of the Board.

Section 3. Prohibited Acts. The Board of Directors shall not take any of the following actions, except with the vote or written consent of a majority of the voting power of the Association including a majority of the members other than Declarant:

(a) Enter into a contract with a third person wherein the third person will furnish goods or services for the Association Property or the Association for a term longer than one (1) year with the following exceptions:

(i) A management contract, the terms of which have been approved by the Veteran's Administration;

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

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured; and

(iv) Lease agreements for laundry room fixtures and equipment of not to exceed five (5)

years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(v) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(vi) Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incur aggregate expenditures for capital improvements to the Association Property in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

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

(d) Pay compensation to members of the Board or to the officers of the Association for services performed in the conduct of the Association business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association;

(e) Filling of a vacancy on the Board created by the removal of a member of the Board.

Section 4. Association Funds. The withdrawal of funds from the Association's reserve account shall require the signatures of either: (i) Two members of the Board; or (ii) One member of the Board and an officer of the Association who is not a member of the Board.

ARTICLE VII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary and a Chief Financial Officer and such other officers as the Board may from time to time, by resolution, create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any Officer may be removed from office by the Board with or without cause. Any Officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of 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 6. Vacancies. A vacancy in any office may be filled by an appointment by the Board. The Officer appointed to such vacancy shall serve for the remainder of the term of the Officer he replaces.

Section 7. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

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

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members, keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Chief Financial Officer. The Chief Financial Officer shall receive and deposit in appropriate bank accounts, all monies of the Association and shall disburse such funds as directed by a resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; shall keep proper books of account; shall prepare and distribute the financial information required pursuant to Article IX Section 1 of these By-Laws.

ARTICLE VIII
COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE IX
BOOKS, RECORDS
AND FINANCIAL REPORTS

Section 1. Financial Reports.

(a) The following financial information shall be regularly prepared and distributed by the governing body to all members regardless of the number of members or the amount of assets of the Association:

(1) A budget for each fiscal year consisting of at least the following information shall be distributed not less than 45 nor more than 60 days prior to the beginning of the fiscal year.

(A) Estimate of revenue and expenses on an accrual basis.

(B) The amount of the total cash reserves of the Association currently available for replacement or major repair of Association Property and for contingencies.

(C) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Association Property and facilities for which the Association is responsible.

(D) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Association Property and facilities for which the Association is responsible.

(2) A balance sheet as of an 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 subdivision and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified

by the number of the Lot and the name of the entity assessed.

(3) A 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; and

(B) An operating (income) statement for the fiscal year; and

(C) A statement of changes in financial position for the fiscal year; and

(D) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(b) If the report referred to in (a)(3) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

(c) In addition to financial statements, the governing body shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against members' Lots.

Section 2. Inspection By Members. The membership register, including names, addresses telephone numbers and voting rights, books of account and minutes of meetings of the members, the Board, and of committees 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 Property as the Board shall prescribe.

Section 3. Rules for Inspection. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of records by the member desiring to make the inspection;

(b) Hours and days of the week when such an inspection may be made;

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

Section 4. Inspection By 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 extra copies of documents.

Section 5. Copies of Documents. Upon written request, the Board shall, within ten (10) days of the mailing of such request, provide the owner of any lot in the property, with a copy of the Declaration, By-Laws and Articles of Incorporation, together with a true statement in writing as to the amount of any delinquent assessments, penalties, attorney fees and other charges therein as provided by the Declaration, By-Laws or Articles as of the date of the request. The Board may impose a reasonable fee for providing such documents and statement but in no event shall the fee exceed the cost to prepare and reproduce the requested documents.

ARTICLE X ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid within fifteen (15) days of the due date shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, the defaulting owner shall pay a reasonable late charge (not exceeding Ten Dollars (\$10.00) as established by the Board and the assessment shall bear interest commencing thirty (30) days from the due date at the rate of twelve percent (12%) per annum and the Association may bring an action at law against the owner personally obligated to pay the same or record a notice of assessment pursuant to Civil Code Section 1367 and foreclose the lien against the Lot, and interest, costs and reasonable attorneys fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Association Property or abandonment of his Lot.

ARTICLE XI AMENDMENTS

Prior to the close of escrow on the sale of the first Lot, Declarant may amend these By-Laws with the consent of the Department of Real Estate. After sale of the first Lot, these By-Laws may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of a quorum of the Association which shall include a majority of the votes or written consent of members other than the Declarant or where the two class voting structure is still in effect, shall include a majority of each classification of members. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less the prescribed percentage or affirmative votes required for action to be taken under that clause. So long as there is a Class B membership, any amendment shall require the prior approval of the Veterans Administration. A draft of any amendment shall be submitted to the

Veterans Administrati prior to its approval by e membership.

ARTICLE XII
SEVERABILITY

In case any of these By-Laws conflict with any provisions of the laws of the State of California, such conflicting By-Laws shall be null and void upon final Court determination to such effect, but all other By-Laws shall remain in full force and effect.

In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control. In case any of these By-Laws conflict with the provisions of the California Condominium Act, the provisions of said statute shall control.

ARTICLE XIII
MISCELLANEOUS

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

CERTIFICATION OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of
RURIPAUGH HILLS OWNERS ASSOCIATION;

2. The foregoing By-Laws comprising 16 pages, including this page, constitute the By-Laws of the Corporation duly adopted at the meeting of the Board of Directors thereof duly held on 1988.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Corporation this 31st day of March, 1988.



SECRETARY