

BYLAWS
OF
SUN CITY HERMOSA COVENANT CONTROL COMMITTEE

ARTICLE 1: OFFICE

1. PRINCIPAL OFFICE.

The location of the Corporation's principal executive office shall be at such location within the County of Riverside as the Board may from time to time designate by resolution.

ARTICLE 2: MEMBERS

1. MEMBERSHIP.

Members of the Corporation. Every Owner of a Lot within the following contiguous subdivisions (~Properties™) is a Member of the Corporation. Membership in the Corporation is appurtenant to, and may not be separated from, ownership of a Lot. Membership shall automatically transfer with transfer of the fee title to such Lot.

Lots 1 through 4, inclusive, of Tract No. 15383-1, as shown by Map on file in Book 138, pages 45 and 46 of Maps, Records of Riverside County, California, and

Lots 1 through 96, inclusive, of Tract No. 15383-2, as shown by Map on file in Book 143, pages 49 through 52 of Maps, Records of Riverside County, California, and

Lots 1 through 96, inclusive, of Tract No. 15383-3, as shown by Map on file in Book 154, pages 61 through 64 of Maps, Records of Riverside County, California, and

Lots 1 through 124, inclusive, of Tract No. 15383-4, as shown by Map on file in

Book 163, pages 97 through 100 of Maps,
Records of Riverside County, California.

A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he or she is qualified to be a Member, and, if requested by the Secretary, has provided the secretary with evidence of such qualification in the form of a copy of a recorded grant deed

2. MULTIPLE OWNERSHIP OF LOTS.

Ownership of a Lot shall give rise to a single membership vote in the Corporation. Accordingly, if more than one person owns a Lot, all of these persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to attend meetings and enjoy the rights of Membership. The Secretary of the Corporation shall be notified in writing of the Owner designated by his or her Co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received, the Secretary may accept the vote of any Owner of Record or proxy holder of such an Owner as the vote attributable to the Lot in question, provided that if the multiple Owners of a Lot attempt to vote the membership attributable to said Lot in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the Lot.

3. PLACE OF BUSINESS.

Meetings of members shall be held at any place within Riverside County designated by the Board of Directors and stated in the notice of the meeting.

4. ANNUAL MEETING.

There shall be an annual meeting of the Members in the month of March of each year. The date, time, and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members.

4. SPECIAL MEETINGS; HOW CALLED.

A majority of the Board, the President or 5 percent or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Corporation. If a special meeting is called by Members other than the Board of Directors or President, the request shall

be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by certified mail to the President or the Secretary of the Corporation who shall immediately notify all Board Members. The Board shall then cause notice to be given to the Members entitled to vote within twenty (20) days of receipt of the request, that a meeting will be held, and the date, time, and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request.

If notice of the meeting is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

5. NOTICE OF MEETINGS; TIME AND CONTENTS.

Notice of meetings of Members shall be given not less than 10 nor more than 60 days before the meeting date. The notice shall specify the place, date, and hour of the meeting. It shall also state (a) for special meetings, the general nature of the proposed business, and that no other business may be transacted or (b) for annual meetings, those matters which the Board of Directors at the time giving the notice intends to present for action by the Members. If Directors are to be elected, the notice shall include the names of all nominees and persons which the Board intends to present for election, as of the date of the notice. The notice shall also state the general nature of any proposed action at the meeting to approve:

(a) A transaction in which a Director has a financial interest, within the meaning of Section 7233 of the California Mutual Benefit Nonprofit Corporations Code;

(b) An amendment of the Articles of Incorporation, Declaration of Restrictions, or Bylaws;

(c) A reorganization under section 8012 of that Code;

(d) A voluntary dissolution of the Corporation under section 8610 of that Code;

(e) A distribution in dissolution that requires approval of the outstanding membership certificates under section 8719 of that Code;

(f) Removal of a Director Without Cause under section 7222 of that Code; or

(g) Filling a vacancy created by the removal of a director by the Members under section 7224 of that Code.

The manner of giving notice and the determination of Members entitled to receive notice shall be in accordance with these Bylaws.

6. MANNER OF GIVING NOTICE.

Notice of any membership meeting shall be given personally, by first-class mail, by facsimile (fax), E-mail or other written communication, charges prepaid, addressed to the member at the address appearing on the Corporation's books or supplied by the member for purposes of notice. If the Corporation has no such address for a member, notice shall be sent by first-class mail addressed to the street address of the member's Lot. Notice is deemed to have been given at the time it was delivered personally, deposited in the mail, or sent by other means of written communication. If any notice or report mailed to a member at the member's address (as specified above is returned marked "Unable to Deliver™" at that address, subsequent notices or reports shall be deemed to have been duly given without further mailing if the Corporation holds the document available for the member on written demand at its principal executive office for one (1) year from the date on which the notice or report was sent to the other Members.

A certificate of mailing (or other authorized means of delivery) of any notice of Members' meeting, report, or other document sent to Members shall be executed by the Secretary or Property Manager, and filed in the Corporation's Minute Book.

7. ADJOURNED MEETINGS.

Membership meetings (either annual or special) may be adjourned from time to time by a vote of the majority of the Members represented at that meeting in person or by proxy, whether or not a quorum is present. However, in the absence of a quorum, no other business may be transacted.

If a meeting is adjourned to another time or place, new notice is not required if the new time and place is announced at the original meeting, unless (a) the Board sets a new record date for this purpose. No meeting may be adjourned for more than 45 days. At an adjourned meeting, the corporation may transact any business that would be proper at the original meeting. If after adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each Member.

8. WAIVER OF NOTICE OR CONSENT BY ABSENTEES.

The transactions of any Members' meeting, either annual or special, however called and noticed and wherever held, shall be as valid as though they were had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote but not present at the meeting signs a written waiver of notice, a consent to holding the meeting, or an approval of the Minutes. The waiver of notice or consent need not specify either the intended business or the purpose of the meeting, except that if action is taken or proposed to be taken regarding any of the matters specified in Section 7511(f) of the California Mutual Benefit Nonprofit Corporations Code (and listed above in the paragraph on contents of notices of member meetings), the general nature of the action or proposed action must be stated in the waiver of notice or consent. All written waivers, consents, and approvals shall be filed with the corporate records or made a part of the Minutes of the meeting.

Notice is also waived by a member's attendance at the meeting, unless the member at the beginning of the meeting objects to the transaction of any business on the ground that the meeting was not lawfully called or convened. Attendance and failure to object to the validity of the meeting, however, does not constitute a waiver of any right to object expressly, at a meeting, to consideration of matters required by law to be included in the notice of the meeting which were not so included.

9. ACTION WITHOUT A MEETING -- WRITTEN BALLOT

(a) Definition of Written Ballot. A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to

Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) Written Ballots Generally. Any matter or issue requiring the vote of the Members, including the election of Directors, may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, as long as the requirements for action by written ballot set forth in this section 9 are satisfied. The determination to seek Member approval for Corporation action in this fashion shall be made by a majority vote of the Board. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date for purposes of determining those Members eligible to cast written ballots.

(c) Balloting Time Requirements.

(i) Director Elections. The balloting in director elections shall be scheduled to culminate on the date of the annual membership meeting in the case of any vacancy created by the normal expiration of a director's term of office. In the case of a special election called to fill a vacancy caused by the removal of a director, the balloting shall be scheduled to culminate on the date established for a special meeting called for the purpose of providing prospective candidates an opportunity to present their qualifications and platform to the Members.

In the case of written ballots used in the election of Directors, the ballots shall be mailed to all Members who are eligible to vote not more than 60 days prior to the date set for the election, but no less than 30 days prior to such date. If the Member elects to return his or her written ballot by mail or personal delivery to the address set forth in the solicitation materials for return of the ballots prior to the meeting at which the director election will be held, the written ballot must be received no later than the close of business on the day prior to the scheduled meeting date. If the Member elects to return his or her written ballot in person at the meeting, the ballot must be inserted in the ballot box prior to conclusion of the time scheduled on the meeting agenda for receipt of ballots and conclusion of the election process at the meeting.

(ii) Other Matters. In the case of any other matter or issue submitted to the Members for approval by written ballot, the Board shall distribute the written ballot to every Member entitled to vote on the matter at least 30

days prior to the final date the written ballots are to be received to be counted.

(iii) Extension of the Balloting Period. The time fixed for the return of written ballots may be extended only if the Board so notifies the Members in the balloting materials originally sent to Members and then for not more than two successive periods of 60 days each. Notwithstanding the foregoing, if a meeting that is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened.

(d) Content of Written Ballots.

(i) Written Ballots Used for Voting in Director Elections. Written ballots used in any election of Directors shall set forth the names of the candidates whose names have been placed in nomination at the time the ballot is issued. The ballot form shall also provide a space where the Member can designate a vote for another (write-in) candidate.

(ii) Written Ballots Used for Voting on Other Matters. Any written ballot distributed to the Members to vote on any issue other than the election of Directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(iii) Specification of Time for Return of Written Ballot. All written ballots shall state the time by which the ballot must be received in order to be counted.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum that would have been required to be present at a membership meeting if a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(f) Solicitation Rules.

(i) Solicitation Rules Generally. Written ballots shall be solicited in a manner consistent with the requirements pertaining to the issuance of notices of Members' meetings. All solicitations of written ballots shall

indicate (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Corporation in order to be counted; and (C) in the case of any written ballot distributed to vote on matters other than the election of Directors, the percentage of affirmative votes necessary to approve the measure submitted for membership approval. If the period for the return of written ballots is extended, the Board shall be entitled to announce to the Members the aggregate votes for or against the proposal received as of the extension date.

(ii) Director Elections. In addition to the requirements of subparagraph (i), above, solicitation materials accompanying written ballots distributed in director elections shall advise the Members that their ballots may be returned by mail or personal delivery to the Corporation's principal office.

(g) Additional Balloting Procedures. If deemed necessary by the Board, the written ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this section, as may be deemed prudent by the Board in consultation with legal counsel.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

(i) Prohibition of Revocation. Once exercised, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures provided herein shall not preclude the Corporation from also conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

10. RECORD DATE FOR NOTICE TO MEMBERS AND VOTING.

(a) For purposes of determining the Members entitled to receive notice of and vote at a Members' meeting or vote by written ballot, the Board may fix, in advance, a record date that is not more than 60 days nor less than 5

days before the date of any such meeting, or not more than 70 days before any such vote by written ballot.

(b) If no record date has been fixed:

(i) The record date for determining Members entitled to receive notice of and vote at a membership meeting shall be the business day next preceding the day on which the meeting is held;

(ii) The record date for determining Members entitled to give written consent to Corporate action without a meeting shall be the day on which the action to be approved was taken by the Board, or, if the Board has not yet acted, the day on which the first written consent is given; and

(iii) The record date for determining Members entitled to receive written ballots shall be the date on which the ballots are mailed or otherwise delivered.

(iv) The record date for any other purpose shall be as set forth in the section of these Bylaws regarding record date for purposes other than notice and voting.

(c) A determination of Members of record entitled to receive notice of and vote at a Members' meeting shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting.

(d) Except as otherwise required by law, only Members of record on the Corporation's books at the close of business on the record date shall be entitled to any of the notice and voting rights listed in subsection (a) of this section, notwithstanding any transfer of membership certificates on the Corporation's books after the record date.

11. QUORUM.

The presence in person or by proxy of a majority of the Members eligible to vote and represented in person or by proxy shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which a quorum was initially present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum; however, any action taken (other than adjournment) must be approved by at least a majority of the membership certificates required to constitute a quorum.

If the minimum quorum percentage specified in the previous paragraph is not satisfied, the meeting may be adjourned to another date not more than 45 days after the initial meeting date and, if notice is given to all Members not present at the original meeting, at the reconvened meeting the quorum percentage shall be reduced to twenty-five percent (25%) of the voting power of the Members. If this reconvened meeting is attended by less than one-third of the voting power of the Members (but a quorum is present) the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting.

12. CONDUCT OF MEETING

All meetings of the membership shall be conducted in accordance with Robert's Rules of Order, subject to such reasonable modifications thereof that may be prescribed herein or adopted by resolution of the Board.

13. VOTING.

The Corporation shall have one class of voting membership. On each matter submitted to a vote of the Members, other than election of Directors, the Owner(s) of Lots shall be entitled to cast one vote for each Lot owned. Factional votes shall not be permitted. With respect to the election of Directors, the Owner(s) of Lots shall be entitled to cast one vote for each Lot owned multiplied by the number of director vacancies being voted upon. No more than one vote for any one Lot owned may be voted for any one candidate.

Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceedings. A Member's good standing shall be determined as of the record date for voting. The Corporation shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments. A Member who owns more than one Lot shall be ineligible to vote if that Member is delinquent with respect to any such Lots.

Voting at any membership meeting may be by voice or by ballot. In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written (mail) ballot in accordance with Section 9 above.

Members otherwise eligible to vote at a meeting may do so in person or by proxy. Cumulative voting shall not be permitted.

If a quorum is present (or if a quorum had been present earlier at the meeting but some Members have withdrawn), the affirmative vote of a majority of the membership certificates represented and voting, provided such affirmative vote also constitutes a majority of the number of membership certificates required for a quorum, shall be the act of the Members unless the vote of a greater number or voting by classes is required by statute or by the Articles of Incorporation.

14. PROXIES.

Every person entitled to vote on any matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the corporation. A proxy shall be deemed signed if the member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the member or the member's attorney in fact.

A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (a) it is revoked by the person who executed the proxy, either by a writing delivered to the corporation before the proxy has been voted, or by attendance at the meeting; or (b) the Corporation receives written notice of the member's death or incapacity before the vote pursuant to that proxy has been counted; provided, however, that no proxy shall be valid after the expiration of 11 months from the date of the proxy unless the proxy itself provides otherwise.

Any proxy given with respect to any of the following matters shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on:

- (a) Removal of Directors without cause;
- (b) Filling of vacancies on the Board;
- (c) Approval of contracts or transactions between the Corporation and one or more of its Directors, or between the Corporation and a corporation, firm or Corporation in which one or more of its Directors has a material financial interest;

(d) Amendment of the Articles of Incorporation, these Bylaws, or the Declaration; and

(e) Voluntary dissolution of the Corporation.

Any form of proxy distributed to 10 or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

Proxies distributed in connection with the election of Directors shall set forth the names of all individuals who are candidates for election to the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of Directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the Members at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the voting power of Members by written ballot.

Proxy voting shall not be allowed when Members' votes are solicited by written ballot. A Member shall be entitled to designate another person to act as the Member's proxy at a meeting for the sole and limited purpose of establishing a quorum.

15. ELECTION INSPECTORS.

Before any Members' meeting, the Board of Directors may appoint any persons other than nominees for office to act as Election Inspectors. If no Election Inspectors have been so appointed, the Chairman of the meeting may, and on the request of any member or member's proxy shall, appoint Election Inspectors at the meeting. The number of Inspectors shall be either 1 or 3. If Inspectors are appointed at the meeting on the request of one or more Members or their proxies, the holders of a majority of membership certificates or their proxies present at the meeting shall determine whether 1 or 3 Inspectors are to be appointed. If any Inspector fails to appear or fails or refuses to act, the Chairman of the meeting may, and on the request of any member or member's proxy shall, appoint a person to fill that vacancy. These Inspectors shall (a) determine the number of membership certificates outstanding and the voting power of each, the membership certificates represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies; (b) receive votes, ballots, or consents; (c) hear and determine all challenges and questions in any way arising in connection with the right to vote; (d) count and tabulate all votes or consents; (e) determine when the polls shall close; (f) determine the result; and (g) do any other acts that may be proper to conduct the election or vote with fairness to all Members.

ARTICLE 3: DIRECTORS

1. POWERS.

Subject to any limitations in the Declaration, the Articles of Incorporation, these Bylaws, and the California Nonprofit Mutual Benefit Corporations Code relating to action required to be approved by the Members, the business and affairs of the Corporation shall be vested in and exercised by the Corporation's Board of Directors. The Board may delegate any of its duties provided that notwithstanding any such delegation the activities and affairs of the Corporation shall continue to be managed and all Corporation powers shall continue to be exercised under the ultimate direction of the Board.

Without prejudice to these general powers, and subject to the same limitations, the Board of Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Articles of Incorporation, the Declaration or these Bylaws and under the laws of the State of California.

(b) Appoint and remove all officers of the Corporation and other Corporation employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation, and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Corporation, and to fix their duties and to establish their compensation.

(d) Adopt and establish Rules and Regulations. The Board may adopt such Rules and Regulations governing the use of Residences within the project and the personal conduct of Members, their guests and tenants within residences where such use and/or conduct affects or may affect other owners. The Board may take such steps as it deems necessary for the enforcement of such Rules and Regulations, including the imposition of monetary penalties and/or the suspension of voting rights; provided fifteen days' advance written notice is given to the responsible Owner and the opportunity for a hearing is provided at least five (5) days prior to the effective date of the sanction.

(e) Enforce all applicable provisions of the Declaration, these Bylaws and the duly adopted Rules and Regulations.

(f) Contract for and pay premiums for liability and other insurance and bonds (including indemnity bonds) that may, in the sole determination of the Board, be required from time to time by the Corporation.

(g) Contract for and pay for services, facilities, utilities, materials, supplies, labor, and services that may, in the sole determination of the Board, be required from time to time to ensure that the properties maintain their status as housing for senior citizens.

(h) Delegate its duties and powers hereunder to the Officers of the Corporation or to committees established by the Board, subject to the limitations expressed in these Bylaws.

(i) Levy and collect Assessments from the Members of the Corporation in accordance with the Declaration and

establish and collect reasonable use charges for any services or facilities provided by the Corporation as the Board may deem necessary or desirable from time to time.

(j) Perform all acts required of the Board under the Declaration.

(k) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Corporation in a manner consistent with generally accepted accounting principles.

(l) Appoint a nominating committee for the nomination of persons to be elected to the Board and prescribe rules under which said nominating committee is to act.

(m) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Corporation.

(n) Fill vacancies on the Board of Directors or in any committee, except a vacancy created by the removal of a Director by the Members.

(o) Open bank accounts and borrow money on behalf of the Corporation and designate the signatories to such bank accounts.

(p) Bring and defend actions on behalf of more than one Member or the Corporation to protect the interests of the Members or the Corporation, as such, as long as the action is pertinent to the operations of the Corporation.

2. NUMBER OF DIRECTORS.

The Board of Directors shall consist of five (5) persons all of whom shall be Owners of Lots or spouses of such Owners, whose memberships are in good standing with all assessments current and not subject to any suspension of membership rights. Only one resident per Lot shall be eligible to serve on the Board at any time.

3. ELECTION AND TERM OF DIRECTORS.

The Directors of this Corporation shall serve for a term of two (2) years with three (3) Directors elected in odd-numbered years and two (2) Directors elected in even-numbered years. There shall be no limitation upon the number of consecutive terms to which a director may be

reelected. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified. No reduction of the authorized number of Directors shall have the effect of removing any Director before his or her term of office expires.

Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) **Candidates Selected by Nomination Committee.** At least 90 days prior to the date of any election of Directors, the President shall appoint a nominating committee to select qualified candidates for election to those positions on the Board of Directors held by Directors whose terms of office are then expiring. The nominating committee shall consist of a chairperson who shall be a Member of the Board of Directors, and two or more Members of the Corporation who may or may not be Board Members. The nominating committee shall make its report at least 60 days before the date of the election if Directors are to be elected at a member meeting, and at least 10 days before the date for mailing of written ballots if Directors are to be elected by written ballot, and the Secretary shall forward to each Member, with the notice of meeting or written ballot the names of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies on the Board to be filled.

(b) **Nominations From the Floor.** Any Member present in person or by proxy at a meeting to elect Directors may place a name in nomination.

(c) **Petition Procedure.** A Member can become a candidate for election to the Board by filing with the Secretary a petition in support of his or her candidacy signed by at least two Members of the Corporation who are, themselves, in good standing with all assessments paid. Candidate petitions must be filed with the Secretary not later than 70 calendar days and no earlier than 120 calendar days prior to the annual meeting of Members.

(d) **Good Standing Requirement for Candidacy.** To be eligible for nomination and election to the Board, a candidate-Member must be certified by the Corporation Secretary that he or she is in good standing with the Corporation and is current in the payment of assessments both

at the time his or her name is placed in nomination and as of the election date.

4. VACANCIES.

A vacancy in the Board of Directors shall be deemed to exist (a) if a Director dies, resigns, or is removed by the Members or an appropriate court, as provided in Section 7222 or 7223 of the California Mutual Benefit Nonprofit Corporations Code; (b) if the Board of Directors declares vacant the office of a Director who has been convicted of a felony or declared of unsound mind by an order of court; (c) if a director has missed more than three (3) regular meetings of the Board without being excused by the Board; (d) if the authorized number of Directors is increased; or (e) if, at a Members' meeting, the Members fail to elect the full authorized number of Directors. Vacancies (except for those caused by a Director's removal) may be filled by the Board, or, if the number of Directors then in office is less than a quorum, by (1) the unanimous written consent of the Directors then in office, (2) the affirmative vote of a majority of the Directors then in office at a meeting held pursuant to notice or waivers of notice complying with Section 7211 of the Corporations Code, or (3) a sole remaining Director.

Vacancies on the Board caused by the removal of a Director (except for vacancies created when the Board declares the office of a Director vacant as provided in clause (b) or (c) of the first paragraph of this section) may be filled only by the Members, either at a special membership meeting called for that purpose or by written ballot.

Any Director may resign effective on giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors, unless the notice specifies a later effective date. If the resignation is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

The Members may elect a Director at any time to fill a vacancy not filled by the Board of Directors.

The term of office of a Director selected by the Board to fill a vacancy shall run until the next annual Members' meeting. The term of office of a Director elected by the Members to fill a vacancy shall run until the expiration of the directorship term of office. A Director shall hold office until a successor is elected and qualified.

5. PLACE OF MEETINGS.

Regular and special meetings of the Board of Directors may be held at any place within the County of Riverside, within ten (10) miles of the properties, that has been designated from time to time by resolution of the Board. A regular or special meeting of the Board may be held at any place consented to in writing by all the Board Members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting.

6. ANNUAL DIRECTORS' MEETING.

Immediately after each annual Members' meeting, the Board of Directors shall hold a regular meeting at the same place or at any other place designated by the Board, to **elect officers** and transact other necessary business as desired. Notice of this meeting shall not be required unless some place other than the place of the annual Members' meeting has been designated.

7. OTHER REGULAR MEETINGS.

Other regular meetings of the Board of Directors shall be held without call at times to be fixed by the Board of Directors from time to time. Notice of the time and place of regular meetings shall be noted at the Corporation's annual meeting or by a mailing to the Members.

8. SPECIAL MEETINGS.

Special meetings of the Board of Directors may be called for any purpose or purposes at any time by the President or any two Directors.

Notice of the time and place of special meetings of the Board shall be given to each Director by one of the following methods: (a) by personal delivery of written notice; (b) by first-class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; (d) facsimile (fax) transmission; (e) E-mail or (f) by telegram, charges prepaid. All such notices shall be given or

sent to the Director's address, telephone, E-mail or facsimile number as shown on the records of the Corporation. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof. Notices sent by first-class mail shall be deposited in a United States mailbox at least three days before the time set for the meeting. Notices given by personal delivery, telephone, E-mail or telegraph shall be delivered, telephoned, faxed or given to the telegraph company at least 12 hours before the time set for the meeting. The notice shall state the date, time and place of the meeting.

9. EMERGENCY MEETING.

An emergency meeting of the Board of Directors may be called by the President or any two Directors if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action of the Board, and which of necessity make it impracticable to provide notice as otherwise provided herein. Actions taken at such meeting shall be as valid as if the meeting were held after notice otherwise provided herein provided (i) reasonable attempts were made to notify all Board Members and (ii) a quorum of Directors is present at the meeting.

10. WAIVER OF NOTICE.

Notice of a meeting, if otherwise required, need not be given to any Director who (a) either before or after the meeting signs a waiver of notice or a consent to holding the meeting without being given notice, (b) signs an approval of the Minutes of the meeting, or (c) attends the meeting without protesting the lack of notice before or at the beginning of the meeting. Waivers of notice or consents need not specify the purpose of the meeting. All such waivers, consents, and approvals of the Minutes, if written, shall be filed with the Corporate records or made a part of the Minutes of the meeting.

11. QUORUM.

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn. 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. A meeting at which a quorum is initially present may

continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting.

12. ADJOURNMENT TO ANOTHER TIME OR PLACE.

A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 72 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

13. ACTION WITHOUT A MEETING BY WRITTEN CONSENT.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all Members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board Members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

14. COMPENSATION OF DIRECTORS.

Directors and Members of committees of the Board shall not be compensated for their services, but shall be reimbursed for direct out-of-pocket expenses, as fixed or determined by resolution of the Board of Directors. This section shall not preclude any Director from serving the Corporation as an officer, agent, employee, or in any other capacity, and receiving compensation for those services.

15. MEMBER RIGHTS REGARDING BOARD MEETINGS.

Any member of the Corporation may attend meetings of the Board of Directors of the Corporation, except when the Board meets in executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, or personnel matters. The Board

shall meet in executive session if requested by a member who may be subject to a fine, penalty or other form of discipline, and the member shall be entitled to attend the executive session.

The Board of Directors of the Corporation shall permit any member of the Corporation to speak at any meeting of the Corporation or the Board of Directors, except for meetings of the Board held in executive session. A reasonable time limit for all Members to speak to the Board or before a meeting of the Corporation shall be established by the Board.

Members shall be given notice of the time and place of meetings of the Board, except for emergency meetings, at least four days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the Properties, by mail or delivery of the notice to each Lot, by newsletter or similar means of communications.

ARTICLE 4: COMMITTEES

1. EXECUTIVE AND OTHER COMMITTEES OF THE BOARD.

The Board of Directors, by resolution, may create one or more committees with the authority of the Board (~Board Committees™ or ~Committees of the Board™), including an Executive Committee. Each Board Committee shall consist of two or more Directors, and may have one or more alternate Members, also Directors. To the extent provided in the Board resolution establishing the committee, the committee may be granted any or all of the powers and authority of the Board, except for the following:

(a) Approving any action for which the California Non Profit Mutual Benefit Corporations Code also requires the approval of the Members or of the outstanding membership certificates;

(b) Filling vacancies on the Board of Directors or any Committee of the Board;

(c) Fixing Directors' compensation for serving on the Board or a Committee of the Board;

(d) Adopting, amending, or repealing Bylaws;

(e) Amending or repealing any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

(f) Making distributions to Members, except at a rate or in a periodic amount or within a price range determined by the Board of Directors; or

(g) Appointing other Committees of the Board or their Members.

(h) Changing the amount of assessments.

2. MEETINGS AND ACTIONS OF BOARD COMMITTEES.

Meetings and actions of Committees of the Board shall be governed by the Bylaw provisions applicable to meetings and actions of the Board of Directors as to place of meetings, regular meetings, special meetings, waiver of notice, quorum, adjournment, notice of adjournment, and action by written consent without a meeting, with such changes in the context of those Bylaws as are necessary to substitute the Committee and its Members for the Board of Directors and its Members, except that (a) the time of regular Committee meetings may be determined either by resolution of the Board of Directors or by resolution of the Committee; (b) Special Committee meetings may also be called by resolution of the Board of Directors; (c) notice of Special Committee meetings shall also be given to all alternate Members; and (d) alternate Members shall have the right to attend all meetings of the Committee. The Board may adopt rules, not inconsistent with the Bylaws, for the governance of Committees of the Board.

3. NON-BOARD COMMITTEES.

One or more committees without the power and authority of the Board ("Non-Board" Committees) may be created by Board resolution, for investigative and other appropriate purposes. Membership on Non-Board Committees is not limited to Directors. To bind the Corporation, actions of Non-Board Committees must be ratified by the Board of Directors.

ARTICLE 5: OFFICERS

1. OFFICERS; ELECTION.

The Corporation shall have a President (Chief Executive Officer), a Vice-President, a Secretary, and a Chief Financial Officer (Treasurer). There may also be other officers as specified in the Bylaws or designated by the Board. Any number of offices may be held by the same person, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as President. The officers of the corporation (except for subordinate officers appointed in accordance with the provisions below) shall be elected annually by the Board of Directors. All officers shall serve at the pleasure of the Board.

2. PRESIDENT.

The President shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and Officers of the Corporation and shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws. The President shall preside at Board and Member meetings whenever present.

3. VICE-PRESIDENT

The Vice President shall, in the absence or disability of the President, perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon the President. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

4. SECRETARY.

The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records

showing the Members of the Corporation, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law, and he or she 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 or by the Bylaws.

5. CHIEF FINANCIAL OFFICER.

The Chief Financial Officer, who shall also be known as 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, retained earnings, and other matters customarily included in financial statements. He or she shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. He or she shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his or her 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 or the Bylaws. If required by the Board, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Corporation of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office

6. SUBORDINATE OFFICERS.

The Board of Directors may appoint, and may empower the President to appoint, subordinate officers as required by the Corporation's business, whose duties shall be as provided in the Bylaws or as determined from time to time by the Board of Directors or the Chief Executive Officer.

7. REMOVAL AND RESIGNATION OF OFFICERS.

Any officer chosen by the Board of Directors may be removed by the Board at any time, with or without cause or notice. Subordinate officers appointed by persons other than the Board may be removed at any time, with or without cause

or notice, by the Board or by the person by whom appointed. A removed officer shall have no claim against the Corporation or individual officers or Board Members arising from such removal (other than any rights he or she may have to monetary compensation or damages under an employment contract).

Any officer may resign at any time by giving the Corporation written notice. Unless otherwise specified in the notice, resignations shall take effect on the date the notice is received, and acceptance of the resignation is not necessary to make it effective. An officer's resignation or its acceptance by the Corporation shall not prejudice any rights the Corporation may have to monetary damages under an employment contract.

8. VACANCIES IN OFFICES.

Vacancies in offices resulting from an officer's death, resignation, removal, disqualification, or any other cause shall be filled by the Board or by the person, if any, authorized by the Bylaws or the Board to make an appointment to that office.

9. COMPENSATION.

No officer shall receive a salary for his or her services to the corporation in such capacity but may receive reimbursement of direct out-of-pocket expenses advanced for the benefit of the Corporation as authorized by the Board of Directors.

ARTICLE 6: INDEMNIFICATION

1. Indemnification by Corporation of Directors and Officers, Employees, and Other Agents. To the fullest extent permitted by law, the Corporation shall indemnify its Directors, Officers, employees, and other agents described in Corporations Code section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Corporation, by reason of the fact that such person is or was a Director or Officer. "Expenses," as used in this section, shall have the same meaning as in Corporations Code section 7237(a).

2. Approval of Indemnity by Corporation. On written request to the Board by any person seeking

indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code section 7237(e), whether the applicable standard of conduct set forth in Corporations Code section 7237(b) or section 7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code section 7237(e) whether the applicable standard of conduct set forth in Corporations Code section 7237(b) or section 7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

3. Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a Director, Officer, employee or agent seeking indemnification under this article in defending any proceeding covered by those sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

4. Insurance. The Corporation may purchase and maintain insurance on behalf of its Directors and Officers against other liability asserted against or incurred by any Director, or Officer, in such capacity or arising out of the Director's or Officer's status as such.

ARTICLE 7: RECORDS AND REPORTS

1. MEMBERSHIP LISTS

The Corporation shall keep at its principal executive office or at the office of its Property Manager, a record of the names and addresses of all Members.

2. MAINTENANCE OF BYLAWS.

The Corporation shall keep at its principal executive office the original or a copy of the Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

3. MINUTES AND ACCOUNTING RECORDS.

The Minutes of proceedings of the Members, Board of Directors, and Committees of the Board, and the accounting books and records shall be kept at the principal executive office of the Corporation, or at such other place or places as designated by the Board of Directors. The Minutes shall be kept in written form, and the accounting books and records shall be kept either in written form or in a form capable of being converted into written form. The Minutes and accounting books and records shall be open to inspection during usual business hours on the written demand of any member or holder of a voting trust certificate, for a purpose reasonably related to the holder's interests in the Corporation. The inspection may be made in person or by an agent or attorney, and includes the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary of the Corporation.

The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member upon written request submitted to the Board and upon payment to the Corporation of such fee, if any, established by the Board to reimburse the Corporation for the costs of making such distribution. Members shall be notified in writing not less often than once per calendar year of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained.

4. INSPECTION BY MEMBERS.

All financial statements, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Corporation shall at all times, during reasonable business hours, be subject to the inspection of any Member or his or her duly appointed representative at the offices of the Corporation for any purpose reasonably related to the Member's interest as such. Member's rights of

inspection shall be exercisable on ten days' written demand on the Corporation, which demand shall state the purpose for which the inspection rights are requested. In the case of the demands to inspect the Corporation's membership list, a Member's inspection rights shall be subject to the Corporation's right to offer a reasonable alternative to inspection within ten days after receiving the Member's written demand (as more particularly set forth in Corporations Code sections 8330-8338).

Adoption of Reasonable Inspection Rules. The Board of Directors may establish reasonable rules with respect to (i) notice of inspection, (ii) hours and days of the week when inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by the Member.

5. INSPECTION BY DIRECTORS.

Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation and each of its subsidiary Corporations. This inspection may be made by the Director in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

6. CORPORATION FINANCES AND FINANCIAL REPORTS.

It shall be the duty of Board to review corporation financial documents. The Board of Directors shall do all of the following not less frequently than on a quarterly basis:

(a) Review a current reconciliation of the Corporation's bank accounts.

(b) Review the current year's actual revenues and expenses compared to the current year's budget.

(c) Review the latest account statements prepared by the financial institutions where the Corporation has its accounts.

(d) Review an income and expense statement for the Corporation's accounts.

(e) To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

Budgets and Financial Statements. The following financial statements and related information for the Corporation shall be regularly prepared and copies thereof shall be distributed to each Member of the Corporation:

(a) Budget. A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year:

- (1) Estimated revenue and expenses on an accrual basis;
- (2) A summary of the Corporation's reserves.

(b) Year-End Report. Within 120 days after the close of the fiscal year, a copy of the Corporation's year-end report consisting of at least the following shall be distributed to Members:

- (1) A balance sheet as of the end of the fiscal year;
- (2) An operating (income) statement for the fiscal year;
- (3) A statement of changes in financial position for the fiscal year;
- (4) A statement advising Members of the place where the names and addresses of the current Members are located; and
- (5) Any other information required to be reported by law.

(c) Financial Statement Review. A review of the financial statement of the Corporation shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Corporation exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized Officer of the Corporation that the statement was prepared without an audit from the books and records of the Corporation.

(d) Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements, the Board of Directors shall annually distribute within 60 days

prior to the beginning of the fiscal year, a statement describing the Corporation's policies and practices in enforcing its remedies against Members for defaults in the payment of assessments.

ARTICLE 8: GENERAL CORPORATE MATTERS

1. AUTHORIZED SIGNATORIES FOR CHECKS.

All checks, drafts, or other orders for payment of money, notes, and other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed in the manner and by the persons authorized by the Board of Directors. The signatures of at least two persons, who shall be Members of the Board of Directors, or one officer who is not a member of the Board of Directors and a member of the Board of Directors, shall be required for the withdrawal of moneys from the Corporation's reserve accounts.

2. EXECUTING CONTRACTS AND INSTRUMENTS.

The Board of Directors may authorize any of its officers or agents to enter into any contract or execute any instrument in the name of and on behalf of the Corporation. This authority may be general or it may be confined to one or more specific matters. No officer, agent, employee, or other person purporting to act on behalf of the Corporation shall have any power or authority to bind the corporation in any way, pledge its credit, or render it liable for any purpose in any amount, unless that person was acting with authority duly granted by the Board of Directors as provided in these Bylaws, or unless an unauthorized act was later ratified by the Corporation.

3. DISTRIBUTIONS UPON DISSOLUTION.

Any distribution of assets upon dissolution of the Corporation shall be made in strict compliance with the provisions and restrictions of the California Corporation Code or other applicable California law.

4. CONSTRUCTION AND DEFINITIONS.

Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter,

and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

ARTICLE 9: AMENDMENTS

1. AMENDMENT OF ARTICLES OF INCORPORATION.

Amendments to the Articles of Incorporation may be adopted if approved by the Board and approved by a majority of the voting power of the Members of the Corporation, either before or after approval by the Board. An Amendment to the Articles of Incorporation shall be effective as of the date that the appropriate certificate of Amendment is filed with the Secretary of State.

2. AMENDMENT TO BYLAWS.

Except as otherwise expressly provided herein, these Bylaws may be amended or repealed, and new Bylaws adopted, only by the affirmative vote or assent by written ballot of a majority of the voting power of the Members of the Corporation. Any amendment to these Bylaws shall become effective immediately upon approval by the Members. The Secretary of the Corporation shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Corporation's corporate records.

3. CORPORATE SEAL

The Corporation shall have a seal in circular form having within its circumference the words "**SUN CITY HERMOSA COVENANT CONTROL COMMITTEE**," the date of incorporation, State of California.