

BYLAWS  
OF  
VILLAGE TOWNHOMES, INC.

ARTICLE I – NAME AND LOCATION OF CORPORATION.

The name of this corporation is Village Townhomes, Inc. (sometimes hereinafter referred to as “the Association”). The first principal office of the Association shall be 1811 West Katella Avenue, Anaheim, California. The Association may change the location of the principal office, and also have offices at such other places as the Board of Directors may from time to time designate.

ARTICLE II – ELIGIBILITY FOR MEMBERSHIP.

Membership in the Association, except for membership of the incorporators and the first Board of Directors, shall be limited to owners of record of parcels consisting of portions of lots within Tract 5062 (sometime hereinafter referred to as “the Subdivision”) upon which dwelling units are constructed or planned to be constructed. One membership in the Association shall be issued to the owner of record of each parcel upon which any dwelling unit is constructed and conveyed by Kaufman and Broad Homes, Inc., or its assigns (sometimes hereinafter collectively referred to as “the Developer”).

In the event any such parcel is owned by two or more persons, whether by joint tenancy, tenancy in common, or otherwise, the membership as to such parcel shall be joint and a single membership for such parcel shall be issued in the names of all, and they shall designate to the Association in writing at the time of issuance, or of their number, who shall hold the membership and have the power to vote said membership. No membership shall be issued to any other person or persons except as they may be issued in substitution for outstanding memberships assigned to new owners of record or as hereinafter provided.

ARTICLE IIA

The members herein shall be entitled to a membership certificate, which certificate shall bear the same number as the deeded parcel of the member in the subject tract, number 5062; that issuance of a numbered membership certificate shall be conclusive evidence of said member to use and occupy a carport bearing a similar and identical number as his parcel and membership certificate, and the irrevocable and exclusive right to such use and occupancy is hereby granted to said member.

ARTICLE III – MEETINGS OF MEMBERS.

Section 1 – Place of Meetings. Meetings of the membership shall be held at the principal office or other offices of the Association or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2 – Annual Meetings. The Annual Meeting of the members shall be held on the first Monday of the month of February or, in the event that the day is a legal holiday, on the first Wednesday thereafter, which is not a legal holiday, each succeeding year. At such meeting there shall be elected by a ballot of the members a board of Directors in accordance with the requirements of Article IV of these Bylaws. The members may also transact such other business of the Association as may properly come before them.

Section 3 – Special Meetings. It shall be the duty of the President to call a special meeting of the member as directed by resolution of the Board of Directors or upon a petition signed by twenty percent (20%) of the members having been presented to the Secretary. The notice of any special meeting shall state time and place of said meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in notice unless by consent of four-fifths (4/5) of the members the present either in person or by proxy.

Section 4 – Notice of Meetings. It shall be the duty of the President, or upon his failure or neglect, then the Secretary or any officer or member, to mail notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where it is to be held, to each member of record or at his address as it appears on the membership of the Association, or if no such address appears, at his last known place of address, or hand deliver said notice to said member at least five (5) days prior to such meeting. The mailing or hand delivering of the notice in the manner prescribed in this section shall be considered notice served.

Section 5 – Quorum. The presence, wither in person or by proxy, of at least twenty five percent (25%) of the membership of record of the Association, shall be requisite for and shall constitute a quorum for the transaction of business of all meetings of members.

Section 6 – Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than twenty-four (24) hours from the time the meeting was called

Section 7 – Voting. At every meeting of the members, each member present, either in person or by proxy, or absentee ballot, shall have the right to cast one vote on each question. A member owning more than one parcel shall be entitled to one vote for each said parcel owned by that member. The vote of the majority of such members shall decide any question brought before such meeting, unless the question if one upon which by express provision of a statute of the Articles of Incorporation or these bylaws, a different vote is required, in which case such express provision shall govern and control.

Notwithstanding the foregoing provisions, at all elections of Directors of this corporation, each member shall be entitle to one vote for each parcel owned by such member multiplied by the number of Directors to be elected, and he must distribute said votes among the number of Directors to be votes for and that member shall not accumulate votes.

The Board of Directors shall hire an outside agency to conduct the elections of the Board of Directors, including but not limited to counting of the ballots, and proxy verifications.

Section 8 – Proxies. A member may appoint only his or her spouse or any joint owner of his parcel or any other member of the Association as a proxy. Any proxy must be filed with the Secretary before the appointed time of each meeting, or upon the calling of the meeting to order. No proxy shall be valid for the period longer than eleven (11) months, and no proxy shall be valid after conveyance by the grantor of the proxy of the lot upon which his voting right was based.

Section 9 – Order of Business. The order of business of all meetings of the members shall be as follows: (a) roll call, (b) request for filing of proxies, (c) proof of notice of meeting or waiver of notice, (d) reading of the minutes of preceding meeting, (e) reports of officers, (f) reports of committees, (g) election of inspectors of election, (h) election of directors, (i) unfinished business, (j) new business.

#### ARTICLE IV – DIRECTORS.

Section 1 – Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five persons each of whom shall be a member of the Association or a designee of the Developer.

Section 2 – Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the members. The powers of the Board of Directors shall include but not be limited to all of the rights and duties of the Board of Directors as set forth elsewhere in these Bylaws, in the Articles of Incorporation, and in the property restriction applicable to the Subdivision, and shall also include the power to promulgate such rules and regulations pertaining to such rights and duties as may be deemed proper and which are consistent with the foregoing.

Section 3 – Election and Term of Office. At each annual meeting of the Association, two directors shall be elected to serve a two or three year term. Two members of the Board who have served a two or more years shall be replaced as follows: Of the three who have two years' service, the two retiring shall not include the President. Should the President not be among the three, then the Vice – President and then the Secretary shall remain.

No director shall serve more than three years without being re-elected, so in case the President must retire from the Board, then the Vice-President, or then the Secretary, in that order, shall remain for another year.

Those retiring from the Board may run for re-election and if elected may serve another two or three years, as may be the case.

Should an annual meeting not be held, or if directors are not elected at that time, the directors may be elected at any special meeting called for that purpose. All directors shall hold office until their respective successors have been named. This amendment shall pertain to the election of 1985 and the length of service shall count from that date. The Board of Directors shall name the two directors who shall retire.

Section 4 – Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the membership shall be filled by a vote of the majority of the remaining directors, even though they may consist of less than a quorum, and each person so elected shall be a director until a successor is elected by the membership at the next annual meeting, or special meeting called for this purpose.

Section 5 – Removal of Directors. At any regular or special meeting of members duly called, any one or more of the directors elected by the members may be removed with or without cause at any time by a vote of the majority of the entire membership of record and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting.

Any director absent for three consecutive meetings of the Board who has not been excused or has not submitted an accepted reason for absence shall be automatically removed from the Board and a replacement shall be named by the remaining directors.

Section 6 – Compensation. No compensation shall be paid to directors for their services as directors except that each member of the five person Board of Directors, as elected under Article IV, Sections 3 and 4, shall be exempt from payment of any and all fees and/or assessments as may be required under Article VIII of the Bylaws or under the Declaration of Restrictions of this Association so long as they shall serve on the Board of Directors. In the event that a member of the Board of Directors shall own or acquire more than one parcel or unit in this Association, this exemption shall apply to only one such parcel as the member of the Board shall designate. No remuneration shall be paid to a director for services performed by him for the Association in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken.

A director may not be an employee of the Association.

Section 7 – Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such time and place as shall be fixed at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order to legally constitute such meeting. Providing a majority of the whole Board shall be present.

Section 8 – Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of

regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone or telegraph at least three (3) days prior to the day named for such meeting.

Section 9 – Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as herein above provided), and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three (3) directors.

Section 10 – Waiver of Notice. Before or at any meeting of the Board Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 11 – Quorum. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section12 – Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

## ARTICLE V – OFFICERS.

Section 1 – Designation. The principal officers of the Association shall be a President, A Vice President, a Secretary, a Treasurer and an Assistant Secretary, all of whom shall be elected by and from the Board of Directors, except that any Assistant Secretary or Assistant Treasurer need not be elected from the Board of Directors. The offices of Secretary and Treasurer or Assistant Secretary and Treasurer may be filled by the same person. The directors may appoint an additional Assistant Secretary and an Assistant Treasurer and such other officers as in their judgment may be necessary.

Section2 – Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3 – Removal of Officer. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, whether with or without cause,

and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4 – President The President shall be chief executive officer of the Association. He shall have all of the general powers and duties which are normally vested in the office of President of a corporation, including but not limited to the power to appoint committees from among the membership from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

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

Section 6 – Secretary. The Secretary or Assistant Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; he shall have the custody of the seal of the Association, he shall have charge of the membership books and such other books and papers as the Board of Directors may direct, and he shall, in general, perform all the duties incident to the office of Secretary.

Section 7 – Treasurer. The Treasurer or Assistant Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

#### ARTICLE VI – POWERS, RIGHTS, AND DUTIES OF THE ASSOCIATION AND MEMBERS THEREOF.

The Association and its members shall have all the powers, rights and duties set forth in the Articles of Incorporation for the Association, the Bylaws, and Rules and Regulations, pursuant thereto and recorded restriction of the Subdivision and as many of the same may be duly adopted or amended. The Association, through its Board of Directors, shall assign and reserve for each dwelling unit in said Subdivision one vehicular parking space upon the parking areas in said Subdivision owed or maintained by the Association and adopt appropriate rules and regulations for the control and enforcement of said assignment and reservation. No transfers of membership shall be made except as provided therein and no such transfer shall be made upon the books of the Association within ten (10) days next preceding the annual meeting of the members.

## ARTICLE VII – CORPORATE SEAL.

The Board of Directors shall provide a suitable corporate seal containing the name of the Association which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any Assistant Treasurer or Assistant Secretary.

## ARTICLE VIII – FISCAL MANAGEMENT.

Section 1 – Fiscal year. The Fiscal year of the Association shall begin on the first (1<sup>st</sup>) day of July every year except that the first fiscal year of the Association shall begin at the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should Association practice subsequently change. (Adopted June 29, 1988).

Section 2 – Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer and in accordance with the reasonable standards of accounting procedure and prudence.

Section 3 – Auditing. At the closing of each fiscal year, the books and records of the Association shall be reviewed by a Certified Public Accountant who will submit an unaudited report. Based on such reports, the Association will furnish its members with a statement of the income and disbursements of the Association for each fiscal year. Upon written request of fifty-one percent (51%) of the membership, an unaudited report will be prepared and certified. The cost of said audit will be assessed to each member of the Association on a pro rata basis.

Section 4 – Inspection of the Books. Financial reports such as are required to be furnished, and the membership records of the Association shall be available at the principal offices of the Association for inspection at reasonable times by any member.

Section 5 – Execution of Association Documents. With the prior authorization of the Board of Directors, all notes and contracts shall be executed on behalf of the Association by any two officers of the Association and all checks shall be executed on behalf of the Association by any two officers of the Association.

Section 6 – Encumbrance of Real or Personal Property. The Association shall be prohibited from encumbering any of the real or personal property owned by the Association unless an affirmative vote of at least fifty one percent (51%) of the total membership of the Association consents to such encumbering.

Section 7 – Hiring of Employees. The Board of Directors shall not hire any Board member of their immediate family as regular employees of the Association. To clarify “regular employee,” it should be understood to be any person on W-2 payroll for more than thirty (30) days in any given fiscal year. One exception shall be made: summer, part time employees used as pool guards. This provision shall in no way prohibit the

Board of Directors from entering into legitimate written contracts for professional services with any Association member. ( Adopted June 29, 1988).

Section 8. The Association shall be reimbursed for any legal costs incurred in defending itself against lawsuits, or any legal action brought by a member and/or members. Such reimbursement shall be paid to the Association by the member and/or members who have instituted such action against the Association.

#### ARTICLE IX – AMENDMENTS.

These Bylaws may be amended by the affirmative vote of two-thirds (2/3) of the members present or represented by proxy at any regular or special meeting provided that a quorum, as prescribed in Article III, Section 5 herein, is present at any such meeting. Amendments may be proposed by the Board of Directors or by petition signed by at least twenty percent (20%) of the members. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted upon. These Bylaws may not be amended insofar as such amendment would be inconsistent with the recorded restriction of the Subdivision. Further, the Federal Housing Administration shall have the right and power to prohibit and veto amendments to the Article of Incorporation of the Association and these Bylaws until fifty-one percent (51%) of the parcels sold are occupied by bona fide owners of these properties. The fifty-one percent (51%) shall exclude those improved owner-occupied parcels which may be in the control of the Developer or its organization.

#### ARTICLE X – HEARING PROCEDURES.

Before the Association may suspend any member's privileges, or levy any fine in accordance with the provisions of the Declaration, the Association shall provide written notice to the affected member. The affected member shall have thirty (30) days from receipt of said notice to request, in writing, a hearing before the Board of Directors (to be held in accordance with the requirements of Section 7341 of the California Corporations Code) to show cause why the fine or suspension should not be levied. If the affected member fails to request, in writing, a hearing before the Board of Directors within thirty (30) days of receipt of the notice of suspension/levy of fine, the affected member shall have waived his/her right to such a hearing. (Adopted June 29, 1988).



**AMENDMENT**

**TO THE BYLAWS OF VILLAGE TOWNHOMES, INC.**

Pursuant to Article IX - Amendments of the Bylaws of Village Townhomes, Inc., the Bylaws are hereby amended as follows:

Section 7 - Voting. At every meeting of the members, each member present, either in person, by proxy, or absentee ballot, shall have the right to cast one vote on each question. A member owning more than one parcel shall be entitled to one vote for each parcel owned by that member. The vote of the majority of such members shall decide any question brought before such meeting, unless the question is one upon which by express provision of a statute of the Articles of Incorporation or these bylaws, a different vote is required, in which case such express provision shall govern and control

Notwithstanding the foregoing provisions, at all elections of Directors of this corporation, each member shall be entitled to one vote for each parcel owned by such member multiplied by the number of Directors to be elected, and that member must distribute the votes among the number of Directors to be voted for and that member shall not accumulate votes.

The Board of Directors shall hire an outside agency to conduct the elections of the Board of Directors, including but not limited to the counting of the ballots, and proxy verifications.

END OF AMENDMENT

The foregoing Amendment is adopted pursuant to Article IX - Amendments of the Bylaws of Village Townhomes, Inc.

IN WITNESS HEREOF, the undersigned have caused this instrument to be executed on this \_\_\_\_\_ Day of March, 2002.

Village Townhomes Inc.  
A California non-profit  
Mutual benefit Corporation

By: \_\_\_\_\_  
It's President

By: \_\_\_\_\_  
It's Secretary