

BY-LAWS OF
CREEKSIDE COMMUNITY MASTER ASSOCIATION

TABLE OF CONTENTS

ARTICLE I	Definitions	1
ARTICLE II	Office	1
ARTICLE III	Members	2
ARTICLE IV	Meetings of Members	6
ARTICLE V	Directors	11
ARTICLE VI	Officers	24
ARTICLE VII	Covenant for Maintenance Assessments . .	28
ARTICLE VIII	Miscellaneous	33
ARTICLE IX	Corporate Seal	37
ARTICLE X	Dissolution	37
ARTICLE XI	Amendments	37

BY-LAWS OF
CREEKSIDE COMMUNITY MASTER ASSOCIATION

ARTICLE I

DEFINITIONS

All terms as used in these By-Laws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Restrictions recorded on August 31, 1982, as Instrument No. 82-172973, of Official Records of San Bernardino County, California, and any amendments thereto. (Said Declaration and amendments thereto shall hereinafter be collectively referred to as the "Declaration.") All of the terms and provisions of the Declaration are hereby incorporated herein by reference.

ARTICLE II

OFFICE

Principal Office. The principal office for the transaction of the business of the Master Association is hereby fixed and located within the Covered Property or as close as practicable thereto, in the City of Ontario, County of San Bernardino, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said San Bernardino County.

ARTICLE III

MEMBERS

Section 1. Membership. Every person or entity who is an Owner shall be a Member as provided in the Declaration. The provisions of these By-Laws, which are binding upon all Members, are not exclusive, as Members shall also be subject to the terms and provisions of the Articles, the Declaration and the Master Association Rules. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

Section 2. Termination of Membership. Membership in the Master Association shall automatically terminate when such Member sells and transfers his Lot.

Section 3. Voting Rights. The Master Association shall have the classes of voting membership set forth in the Declaration.

Section 4. Vesting of Voting Rights. The voting rights attributable to any given Lot in the Covered Property as provided for herein shall not vest until the assessments provided for in the Declaration have been levied by the Master Association as against said Lot.

Section 5. Membership Certificates. In its discretion, the Board may, but need not, issue appropriate membership certificates evidencing membership in the Master Association.

Section 6. Plural Memberships. A Member may own more than one (1) membership in this Master Association by complying, as to more than one (1) Lot, with the qualifications of member-

ship as set forth in the Section of this Article entitled "Membership."

Section 7. Assessments. The Members shall be jointly, severally and personally liable for the payment of such Assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration and these By-Laws.

Section 8. Enforcement of Payment of Assessments. Should any Member fail to pay his Assessments before delinquency, the Master Association, in the discretion of the Board, shall have the right to enforce payment of such delinquent Assessments pursuant to the Declaration.

Section 9. Transfer. The Master Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way except as incidental to the sale of such Lot, and the membership shall be automatically transferred upon the sale of such Lot. In the event of such sale, the Master Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot, or the Mortgagee (or third party purchaser) of such Lot upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Master Association.

Section 10. Master Association Rules; Notice and Hearing; Enforcement. The following provisions shall govern the promulgation of the Master Association Rules which shall include the establishment of a system of fines and penalties:

(a) The Board, in its discretion, shall have the power to adopt, amend and repeal such rules and regulations ("Master Association Rules") as are consistent with and in furtherance of existing law, the Master Declaration, the Articles and these By-Laws. Upon the vote or written consent of the majority of the Board, such rules and regulations shall take effect as the Master Association Rules.

(b) The Board, in its discretion, shall adopt a list of specific fines and penalties, not to exceed Twenty-five Dollars (\$25.00) for any single violation by any Member of the provisions of the Master Declaration, the Articles, these By-Laws and the Master Association Rules. Such fines and penalties shall be binding on all Members and shall be enforceable by the Board as a Special Assessment. Such a remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, the Master Declaration, these By-Laws and the Master Association Rules. The failure of the Board to enforce the Master Association Rules, the Declaration or these By-Laws shall not constitute a waiver of the right to enforce the same thereafter.

(c) No fine or penalty shall be levied without the following procedural safeguards for notice and hearing:

(1) A written statement of the alleged violations shall be delivered personally or sent by

first class or registered mail to any Member against whom such charges are made and such written statement shall provide a date no sooner than fifteen (15) days before which the charges shall be heard;

(2) The Board shall appoint a panel of three (3) capable persons (one [1] of whom shall be designated a chairman) who may or may not be members of the Board, and who shall hear the charges and evaluate the evidence of the alleged violation;

(3) At such hearing, the Member so charged shall have the right to present all relevant oral and written evidence and to confront and cross-examine adverse witnesses; and

(4) The Board shall have the right, after affording the Member his opportunity to be heard, and upon an affirmative vote of a majority of the panel, to take any one of the following actions:

(i) levy a Special Assessment as provided for in the Declaration; (ii) suspend or condition the right of said Member to use any of the recreational amenities located on the Community Facilities owned, operated or maintained by the Master Association; or (iii) suspend said Member's voting privileges as a Member of the Master Association. Any such suspension shall be for a period of not more than thirty (30) days for any non-continuing

infraction, but in the case of a continuing infraction, may be imposed for so long as the infraction continues.

(d) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

(e) A Member's failure to appear before the panel to present his defense shall constitute a waiver of his right to a hearing and the panel may proceed upon the charges without a hearing.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Place of Meeting. All meetings of Members shall be held at the principal office of the Master Association, the City of Ontario or at such other location as proximate thereto as practical and convenient to the Members as may be designated from time to time by the Board.

Section 2. Annual Meetings. The first annual meeting of the Members shall be held within forty-five (45) days after the closing of the sale of a Lot which represents the fifty-first (51st) percentile interest authorized for sale under the original Final Subdivision Public Report for the initial Covered Property, but in no event shall the meeting be held later than six (6) months after the sale of the first Lot, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same month of each year thereafter, at the hour of 8:00 o'clock p.m., or such other hour designated by the Board; provided, however, that the Board, by resolution, may fix

a date for the meeting no more than thirty (30) days before or after said date. If the day for the annual meeting of the 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. At such meetings, there shall be elected by ballot of the Members, a Board of Directors in accordance with the provisions set forth in these By-Laws. The Members may also transact such other business of the Master Association as may properly come before them.

Section 3. Special Meetings. Special meetings of the Members for any purpose shall be promptly called by the Board of Directors upon:

- (a) The vote for such meeting by a majority of a quorum of the Board of Directors; or
- (b) Receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Master Association.

No business shall be transacted at a special meeting except as stated in the notice unless by consent of a quorum of the Owners present, either in person or by proxy.

Section 4. Notices of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice by first class mail, postage prepaid, to his address appearing on the books of the Master Association, or supplied by him to the Master Association for the purpose of notice. Except in emergency situations, all such notices shall be sent to each Member entitled to vote thereat not less than ten (10) days, nor

more than ninety (90) days before each meeting, and shall specify the place, the day and the hour of such meeting, and in case of special meetings, the nature of the business to be transacted. The Board may fix a date as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed shall be not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. Only Members who on the record date for notice of the meeting are entitled to vote, shall be entitled to notice of the meeting.

Section 5. Notice of Adjournment. When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, other than by announcement thereof at the meeting at which such adjournment is taken.

Section 6. Consent of Absentees. The transaction of any business at any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy, and if either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Master Associa-

tion or made a part of the minutes of the meeting.

Section 7. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, fifty-one percent (51%) of the voting power of the Master Association shall constitute a quorum for the transaction of business at all meetings, except as otherwise provided in the Articles, the Declaration or these By-Laws. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. The quorum for such a meeting shall be at least twenty-five percent (25%) of the total voting power of the Master Association, present in person or by proxy. 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.

Section 8. Proxies. Every Member entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such Member or his duly authorized agent and filed with the Secretary of the Master Association. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting.

Section 9. Action Without Meeting. Any action which may be taken by the vote of Members at any regular or special meeting, except the election of Directors where cumulative vot-

ing is a requirement, may be taken without a meeting, if the Master Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Master Association pursuant to Section 7513 of the California Corporations Code. All such written ballots shall be filed with the Secretary of the Master Association and maintained in the corporate records. Approval by written ballot pursuant to this Section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations of ballots shall indicate the number of responses needed to meet the quorum requirements and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation shall specify the time by which the ballot must be received in order to be counted. A written ballot may not be revoked. Directors may not be elected by written ballot under this Section.

Section 10. Representation by First Mortgagees.

First Mortgagees shall have the right to attend all membership meetings through designated representatives whose names and affiliations are delivered to the Board.

ARTICLE V

DIRECTORS

Section 1. Powers. In addition to the powers and duties of the Board as set forth in the Declaration, the Articles or elsewhere in these By-Laws, and subject to limitations of the Articles, the Declaration, these By-Laws and of the California Corporations Code as to action to be authorized or approved by the Members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Master Association shall be controlled by the Board. Without prejudice to such general powers but subject to the same limitations, the Directors are vested with, but not be limited to, the following powers and duties, as follows:

(a) To select, appoint and remove all officers, agents and employees of the Master Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, the Declaration and/or these By-Laws, to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) To conduct, manage and control the affairs and business of the Master Association, and to make and enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and/or these By-Laws, as the Board may deem necessary or advisable.

(c) To adopt and use a corporate seal.

(d) To fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes for this Master Association to which the assets of the Master Association shall be distributed upon liquidation of dissolution according to the Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Master Association and after distribution of all property held or acquired by the Master Association under the terms of a specific trust or trusts.

(e) Such other powers and duties as set forth in the Declaration of Restrictions in the Article entitled "Powers and Duties of the Master Association."

Section 2. Number and Qualification of Directors.

The affairs of the Master Association shall be managed by a Board of Directors consisting of seven (7) Directors, who need not be members of the Master Association so long as the Class B membership shall exist. Thereafter, the Board of Directors shall consist only of Members of the Master Association. The number of Directors may not be changed without the vote or written consent of Members necessary to amend these By-Laws, but in no event shall there be less than seven (7) Directors. A person may serve as a Director without being a Member.

Section 3. Election Committee and Nomination of Directors. As provided in the Declaration, an Election Committee

shall be appointed annually by the Board to make rules for and supervise nominations, voting procedures, voting requirements and the orderly and fair election of Directors. The Election Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more persons who shall be Members; provided, however, as long as any Class B memberships are outstanding, the Board may appoint persons who are not Members to the Election Committee. Prior to any meeting of the Members at which Directors shall be elected, the Election Committee, under reasonable procedures adopted by it, shall collect nominations for the Directors to be elected at such meeting. The notice of the meeting of Members at which directors are to be elected shall include a ballot in a form adopted by the Election Committee indicating the candidates that have been accepted for nomination by the Election Committee. Nominations for the Board may also be made from the floor at any meeting of the Members at which Directors are to be elected.

Section 4. Election and Term of Office.

(a) Until the holding of the organizational meeting of the Members referred to in the Section of these By-Laws entitled "Annual Meetings" under the Article entitled "Meetings of Members," the Board shall consist of those directors who constituted the incorpora-

tors of this Master Association. At the first annual meeting of the Master Association, the Members shall elect the directors as provided herein. The Members of the Master Association shall elect four (4) directors for a term of two (2) years and three (3) directors for a term of one (1) year. At the expiration of the initial term of office of each respective director, his successor shall be elected to serve a term of one (1) year. The directors shall hold office until their successors have been elected and hold their first meeting. The directors shall be elected at each annual meeting of Members for staggered terms as described herein, but if any such annual meeting is not held, or if the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose.

(b) Election to the Board of Directors shall be by secret written ballot. At such election, the Members may cast, with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is required for all elections in which two (2) or more positions are to be filled; provided, however, that all cumulative voting hereunder shall comply with the procedural prerequisites of California Corporations Code Section 7615(b), which provides that no

Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's or candidates' names have been placed in nomination prior to the voting and a Member has given notice at the meeting prior to the voting of said Member's intention to cumulate votes. If any one Member has given such notice, all Members (including Declarant) shall have the right to cumulate votes and give one (1) candidate, or divide among any number of candidates, a number of votes equal to the total number of votes to which said Member is entitled to vote upon other matters multiplied by the number of Directors to be elected.

(c) Notwithstanding any other provision herein, from the first election of Directors of the Board and thereafter for so long as a majority of the voting power of the Master Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Master Association, not less than twenty percent (20%) of the incumbents on the Board of Directors shall be elected solely by the votes of Owners, other than the Declarant or the Merchant Builders. The election of Directors shall be first apportioned to the Members, other than Declarant and the Merchant Builders, until the aggregate number of Directors on the Board represents at least twenty percent (20%) of the entire Board. Any resident Owner (other than Declarant and the Merchant Builders) shall

be an eligible candidate for this special election. Such election shall be by secret ballot unless a majority of the Members, other than Declarant or the Merchant Builders, determine otherwise. The person or persons receiving the greatest number of votes cast by the Members, other than Declarant and the Merchant Builders, shall be elected to the Board in a co-equal capacity with all other Directors. The remaining Directors shall be elected in accordance with the established cumulative voting procedures established herein.

Section 5. Removal of Directors. At any regular or special meeting of the Members of which notice has been properly given as provided in these By-Laws, the entire Board or any individual director may be removed from office with or without cause as hereinafter set forth, provided that the same notice of said meeting has also been given to said entire Board or any individual director whose removal is to be considered at said special meeting. The entire Board or any individual director may be removed from office by a majority of the affirmative votes cast in the voting on any motion or resolution for removal. However, unless the entire Board is removed, an individual director shall not be removed if the number of votes against the motion or resolution for his removal would be sufficient to elect the Director if voted cumulatively at an election at which the total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the

Directors were then being elected. Upon any such motion or resolution for removal, every Member may cumulate his vote or votes, as the case may be, in the same manner as provided for the election of Directors in these By-Laws. In the event that any or all Directors are so removed, new Directors may be elected at the same meeting. A Director who has been elected to office solely by the votes of Members of the Master Association other than the Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than the Declarant.

Section 6. Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Members of the Master Association may be filled by a vote of a majority of the remaining Directors even though they may constitute less than a quorum, and each Director so elected shall hold office until his successor is elected at the next annual meeting of the Master Association. Any vacancy caused by the removal of a Director may be filled by the vote of the majority of the remaining Directors but only with the approval, by vote or written assent of a majority of the Master Association residing in Members, other than Declarant. In the event that a majority of the remaining Directors are unable to agree upon a successor within fifteen (15) days following the occurrence of a vacancy, a special election to fill the vacancy shall then be held in accordance with the terms provided in this Article, within not less than ten (10) days, nor more than thirty (30) days, follow-

ing the expiration of said fifteen (15) day period. Notice of a special meeting and election shall be given in accordance with the terms in the Article entitled "Meetings of Members."

A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director. If the Members shall increase the authorized number of Directors but shall fail to elect the additional Directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized Directors, a vacancy or vacancies shall be deemed to exist.

The Members may at any time elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment of the By-Laws is voted authorizing an increase in the number of Directors.

If any Director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

Section 7. Place of Meetings. All meetings of the Board shall be held at the principal office of the Master Association, or at any other place within the Covered Property designated at any time by resolution of the Board or by written consent of all members of the Board.

Section 8. Organization Meeting. The first regular ("organization") meeting of a newly elected Board shall be held within ten (10) days of election of the Board, at such place and hour as shall be fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of the organization, election of officers and the transaction of other business. Notice of the organization meeting shall not be necessary unless a majority of the entire Board shall not have been present at the meeting at which the newly elected Directors were elected.

Section 9. Regular and Special Meetings - Notice. Regular meetings of the Board of Directors shall be held monthly, and on such day 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. Notice of the time and place of a regular meeting shall be posted at a prominent place or places within the Covered Property, and shall be communicated to the Directors not less than four (4) days prior to the meeting unless the time and place of the meeting is fixed by the Directors and duly adopted herein; provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. Special meetings of the Board of Directors shall be held when called by the President of the Master Association, or by two (2) Directors, other than the President, after not less than three (3) days' notice to each Director. The no-

tice shall specify the time and place of the meeting and the nature of any special business to be transacted. Notice of a special meeting shall be posted as prescribed for notice of regular meetings, and shall be sent to all Directors not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. Regular and special meetings of the Board shall be open to all Members of the Master Association; provided, however, that the Master Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, with the approval of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Master Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 10. Notice of Adjournment. Notice of adjournment of any Board meeting, either regular or special, need not be given to absent directors, if the time and place are fixed at the meeting adjourned.

Section 11. Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum

be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Master Association or made a part of the minutes of the meeting.

Section 12. Entry of Notice. Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall constitute a rebuttable presumption that due notice of such special meeting was given to such director as required by law and these By-Laws.

Section 13. Quorum. A majority of the total number of directors as fixed by these By-Laws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done 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.

Section 14. Adjournment. A quorum of the directors may adjourn any Board meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the directors present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 15. Action Without Meeting. The Board of Directors may take any action without a meeting if all members

of the Board unanimously consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take any such action, an explanation of the action taken shall be posted at a prominent place or places within the Covered Property within three (3) days after the written consent of all Directors has been obtained.

Section 16. Fees and Compensations. No director or officer shall receive any salary for his services as such officer or director. Nothing herein contained shall be construed to preclude any director or officer from serving the Master Association as agent, counsel or any capacity other than as such director or officer, and receiving compensation therefor. Provided, however, that a director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 17. Presiding Officer. The members of the Board shall elect one of their number to act as Chairman. The Chairman shall preside at all meetings of the Board.

Section 18. Indemnification of Directors, Officers and Employees. Except to the extent prohibited by then applicable law, this corporation shall reimburse, indemnify and hold harmless each present and future director, officer and employee of this corporation and each person who, at the request of this corporation, acts as a director, officer or employee of any other corporation in which this corporation has an interest, from and against all loss, cost, liability and expense which may be imposed upon or reasonably incurred by him, including reasonable settlement payments, in connection with any claim, action, suit

or proceeding, or threat thereof, made or instituted, in which he may be involved or be made a party by reason of his being or having been a director, officer or employee of this corporation, or by reason of any action alleged to have been taken or omitted by him in such capacity, if a disinterested majority of the Board of this corporation (or, if a majority of the Board is not disinterested, then independent legal counsel) determines in good faith that such person was acting in good faith (a) within what he reasonably believed to be the scope of his authority or employment, and (b) for a purpose which he reasonably believed to be in the best interests of the corporation.

The right of indemnification provided in this Section shall inure to each person referred to in this Section, whether or not the claim asserted against him is based on matters which arose in whole or in part prior to the adoption of this Section and in the event of his death, shall extend to his legal representatives. The right of indemnification provided in this Section shall not be exclusive of any other rights to which any such person, or any other individual, may be entitled as a matter of law or under any agreement, vote of Directors or stockholders or otherwise.

Section 19. Records. The Board shall cause to be kept, a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of Members or at any special meeting where such statement is requested in writing by one-fourth (1/4) of the voting power of the Members entitled to vote thereat.

ARTICLE VI

OFFICERS

Section 1. Officers. The officers shall be a President, Vice President, a Secretary and a Treasurer, which officers shall be elected by and hold office for a term of one (1) year, unless such officer shall sooner resign or shall be removed or otherwise disqualified to serve. The President and the Vice President shall be members of the Board. Any of the other officers may, but need not, be a member of the Board. Any two (2) or more of such offices, except those of President and Secretary may be held by the same person.

Section 2. Election. The officers of the Master Association, except such officers as may be appointed in accordance with the Sections of this Article entitled "Special Appointments" or "Vacancies," shall be chosen annually by the Board at the first meeting of the Board following an annual meeting and each shall hold his office until he shall resign or shall be removed or otherwise be disqualified to serve, or until his successor shall be elected and qualified.

Section 3. Special Appointments. The Board may appoint such other officers as the business of the Master Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these By-Laws or as the Board may from time to time determine.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by the vote of a majority of all the directors then in office at any regular or

special meeting of the Board at which a quorum is present.

Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Master Association. Subject to the provisions of this Section, any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these By-Laws for regular appointments to such office.

Section 6. President. The President shall be the chief executive officer of the Master Association and shall, subject to the control of the Board and the provisions of the Declaration, have general supervision, direction and control of the business and officers of the Master Association. The President may, but need not, be the Chairman of the Board. He shall be an ex-officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have such other powers and duties as may be prescribed by the Board or these By-Laws.

Section 7. Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon the

office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or the By-Laws.

Section 8. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office of the Master Association or such other place as the Board may order, of all meetings of directors and Members, with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present or represented at Members' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office, a membership register showing the following: (1) the names and addresses of all members of the Board; (2) the names of the Members and their addresses; (3) the property to which each membership relates; (4) the number of memberships held by each Member; (5) the number of votes represented by each Member; (6) the number and date of membership certificates issued, if any; and (7) the number and date of cancellation of membership certificates, if any.

The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by these By-Laws or by law to be given, and he shall keep the seal of the Master Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these By-Laws.

Section 9. Treasurer. The Treasurer shall keep and

maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Master Association, including accounts of the assets, liabilities, receipts, disbursements, gains, losses, capital and surplus of the Master Association. The books of account shall at all reasonable times be open to inspection by any director or by any Member as described hereinbelow.

The Treasurer shall cause an annual audit of the Master Association books to be made by a certified public accountant at the completion of each fiscal year as provided for in the Declaration of Restrictions, and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Master Association with such depositories as may be designated by the Board. He shall disburse the funds of the Master Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Master Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-Laws.

Section 10. Compensation of Officers. No officer shall receive any compensation for services performed to the Master Association; provided, however, that an officer may be reimbursed for his actual expenses incurred in the performance

of his duties.

ARTICLE VII

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. As more fully set forth in the Declaration, the Declarant, for each Lot owned by it, hereby covenants and agrees to pay, and each Owner, including any Merchant Builder, of any Lot by acceptance of a deed or other conveyance creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Master Association: Regular Assessments, Special Assessments, Capital Improvement Assessments, and Reconstruction Assessments, such Assessments to be fixed, established and collected from time to time as hereinafter provided. With the exception of Special Assessments, the Assessments, together with interest thereon, late charges, attorneys' fees and court costs, and other costs of collection thereof as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made. With the exception of Special Assessments, each such Assessment, together with such interest, late charges and costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment fell due. The personal obligation shall not pass to the successors in title of an Owner unless expressly assumed by such successors. Each Special Assess-

ment levied against an Owner, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be the personal obligation of the Owner of the Lot at the time when such Assessment becomes due.

Section 2. Purpose of Assessments. The Assessments levied by the Master Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the Members, the management of the Community, enhancing the quality of life in the Community and the value of the Covered Property, including, without limitation, the improvement and maintenance of the properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Community Facilities.

Section 3. Regular Assessments. The amount and time of payment of Regular Assessments shall be determined by the Board pursuant to the Declaration and these By-Laws after giving due consideration to the current maintenance, operational and other costs and the future needs of the Master Association. At least thirty (30) days prior to the beginning of each fiscal year of the Master Association, the Board shall estimate the total Common Expenses to be incurred for the forthcoming fiscal year. The Board shall then determine the amount of the Regular Assessment to be paid by each Owner. Written notice of the annual Regular Assessments shall be sent to every Owner at least thirty (30) days in advance of each Assessment period. Each Owner shall thereafter pay to the Master Association his Regular Assessment in installments as established by the Board.

In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessments against each Owner, and the date or dates when due.

Section 4. Capital Improvement Assessments. In addition to the Regular Assessments, the Master Association may levy in any calendar year a Capital Improvement Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or replacement (other than due to destruction) of a described capital improvement upon the Community Facilities to the extent the same is not covered by the provisions affecting Reconstruction Assessments in the Article in the Declaration entitled "Damage or Destruction to Community Facilities," including the necessary fixtures and personal property related thereto. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Master Association and shall be deemed a contribution to the capital account of the Master Association by the Members.

Section 5. Uniform Rate of Assessment. Except as otherwise provided herein, Regular, Reconstruction and Capital Improvement Assessments shall be fixed at an equal amount for

each Lot and may be collected at intervals selected by the Board.

Section 6. Special Assessments. Special Assessments shall be levied by the Board against an Owner and his respective Lot to reimburse the Master Association for costs incurred in bringing an Owner and his Lot into compliance with the provisions of the Declaration, the Articles, these By-Laws or Master Association Rules, or any other charge designated as a Special Assessment in the Declaration, the Articles, these By-Laws or Master Association Rules, together with attorneys' fees, interest and other charges relating thereto as provided in the Declaration.

Section 7. Date of Commencement of Regular Assessments. The Regular Assessments shall commence as to all Lots on the first day of the month following (1) the first close of escrow for the sale of a Lot to a bona fide purchaser (Owner), or (2) the conveyance of the Community Facilities to the Master Association, whichever is first to occur; provided, however, the Regular Assessments, as to Lots within a Phase of the Annexation Property, shall commence with respect to all Lots within each such Phase on the first day of the month following (1) the conveyance of the first Lot therein to a bona fide purchaser, or (2) the conveyance of the Community Facilities to the Master Association, whichever is first to occur. Provided, further, that in the event the amount budgeted to meet Common Expenses for the current year proves to be excessive in light of the actual Common Expenses, the Board, in its discretion, may reduce the amount of the Regular Assessment as it deems appropriate. Pro-

vided, further, that in the event the amount budgeted to meet Common Expenses proves to be excessive in light of the actual Common Expenses during a year in which an area is annexed pursuant to the Article in the Declaration entitled "Integrated Nature of the Covered Property," the Board, in its discretion, may reduce the amount of the Regular Assessment as it deems appropriate. In no event shall a reduction in the amount of Regular Assessments pursuant to this Section result in a quantity or quality of services diminished from those upon which the Common Expense budget for the year in question is based.

Section 8. No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Master Association is not properly exercising its duties and powers as provided in the Declaration. A Special Assessment for the purposes set forth in this Section may be levied by a majority vote of the Board of Directors after notice and hearing given and had in accordance with the provisions more fully set forth in Article III, Section 10, herein.

Section 9. Waiver Prohibited. No Owner may waive or otherwise avoid liability for any assessments for any reason whatsoever including, but not limited to, non-use of the Community Facilities or any portion thereof, or abandonment of his Lot.

ARTICLE VIII

MISCELLANEOUS

Section 1. Inspection of Corporate Records by Members. The membership register, books of account and minutes of meetings of the Members, of the Board of Directors, and of any and all committees, shall be made available for inspection and copying by any Member of the Master 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 Master Association or at such other place within the Covered Property as the Board shall prescribe. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 2. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Master Association and the physical properties owned or controlled by the Master Association. The right of inspection by a director includes the right to make extracts and copies of documents.

Section 3. Contracts, Etc: Manner of Execution.
The Board, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter

into any contract or execute any instrument in the name of and on behalf of the Master Association, and such authority may be general or confined to specific instances, and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Master Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Master Association, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 5. Annual Report. The Board shall cause a copy of an annual report to be sent to each Member not later than one hundred twenty (120) days subsequent to the close of the fiscal or calendar year of the Master Association.

Section 6. Inspection of By-Laws. The Master Association shall keep in its principal offices for the transaction of business the original or a copy of the By-Laws as amended, certified by the Secretary, which shall be open to inspection at reasonable times by all of the Members and all First Mortgagees, insurers and guarantors of First Mortgages.

Section 7. Financial Statements. The Board shall cause financial statements for the Master Association to be regularly prepared and copies distributed to each Member of the Master Association as follows:

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

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot, 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 person or entity assessed;

(c) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(1) A balance sheet as of the last day of the Master Association's fiscal year;

(2) An operating (income) statement for the fiscal year;

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

(4) Any information required to be reported pursuant to Section 8322 of the California Corporations Code.

An external audit by an independent certified public accountant shall be required for fiscal year financial statements (other than budgets) for any fiscal year in which the gross income to the Master Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). If the report referred to in subparagraph (c) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Master Association that the statements were prepared without audit from the books and records of the Master Association.

Section 8. Singular Includes Plural. Wherever the context of these By-Laws requires same, the singular shall include the plural and the masculine shall include the feminine.

Section 9. Fiscal Year. The fiscal year of the Master Association shall be determined by the Board, and having been so determined, shall be subject to change from time to time as the Board shall determine.

Section 10. Conflicts. In the case of any conflict between the Articles and these By-Laws, the Articles shall control; and in case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE IX

CORPORATE SEAL

Section 1. The Master Association shall have a seal in circular form having within its circumference the words: CREEKSIDE COMMUNITY MASTER ASSOCIATION.

ARTICLE X

DISSOLUTION

Section 1. Distribution of Assets. Upon the winding up and dissolution of the Master Association, after paying or adequately providing for the debts and obligations of the Master Association, the remaining assets may be distributed to the Members of the Master Association as provided in the Declaration.

ARTICLE XI

AMENDMENTS

Section 1. Powers of Members. So long as the voting structure provided for in the Declaration shall remain in effect, these By-Laws may be amended only by the vote or written assent of fifty-one (51%) of the voting power of each class of Members. At such time as the Class B membership shall cease and be converted to Class A membership, amendments to these By-Laws shall be enacted by requiring the vote or written assent of:

(a) Fifty-one percent (51%) of the total voting power of the Master Association; and

(b) Fifty-one percent (51%) of the votes of Mem-

bers other than the Declarant.

Notwithstanding the foregoing, the percentage of a quorum of the Members or of the votes of the Members other than the Declarant necessary to amend a specific provision in these By-Laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under said provision.

Section 2. Rights of First Mortgagees. The prior written approval of sixty-seven percent (67%) of all First Mortgagees of Lots in the Covered Property must be secured before any material amendment to these By-Laws affecting matters delineated in Article XVIII, Section 5 of the Declaration may take effect. Notwithstanding the foregoing, if a First Mortgagee who received a written request from the Board to approve a proposed amendment or amendments to the By-Laws does not deliver a negative response to the Board within thirty (30) days of the mailing of such request by the Board, such First Mortgagee shall be deemed to have approved the proposed amendment or amendments.

Section 3. Record of Amendments. Whenever an amendment or new By-Law is adopted it shall be placed in the book of By-Laws in the appropriate place. If any By-Law is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

(1) That I am the duly elected and acting Secretary of CREEKSIDE COMMUNITY MASTER ASSOCIATION, a California nonprofit and mutual benefit corporation; and

(2) That the foregoing By-Laws, comprising of 38 pages, constitute the original By-Laws of said corporation as duly adopted at the first meeting of the Board of Directors thereof duly held August 26, 1982.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 26th day of August, 1982.


SECRETARY