

BY-LAWS OF  
LAKE FOREST COMMUNITY ASSOCIATION

ARTICLE I  
DEFINITIONS

SECTION 1.1 LAKE FOREST RESTRICTIONS

The term "LAKE FOREST RESTRICTIONS" shall mean the provisions of that certain "MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE PLANNED DEVELOPMENT OF LAKE FOREST IN ORANGE COUNTY, CALIFORNIA" recorded on August 14, 1968, in Book 8691 at Pages 230 through 296, inclusive, of Official Records, in the Office of the County Recorder of Orange County, State of California, as said MASTER DECLARATION may be amended from time to time pursuant to Section thereof, or supplemented or modified from time to time pursuant to Sections 2.02 or 2.03 thereof, together with any and all TRACT DECLARATIONS which may be recorded by GRANTOR pursuant to Section 2.01 of said MASTER DECLARATION, as said TRACT DECLARATIONS may be amended from time to time. Said MASTER DECLARATION and TRACT DECLARATIONS, as any or all of them may be so amended, supplemented or modified from time to time, are incorporated herein by this reference with the same force and effect as if fully set forth herein.

SECTION 1.2 OTHER TERMS

Unless the context otherwise specifies or requires, the other terms used herein shall have the definitions and meanings given them in ARTICLE I of the MASTER DECLARATION.

ARTICLE II  
MEMBERS

SECTION 2.1 QUALIFICATIONS

Each OWNER (including the GRANTOR) of a LOT, established pursuant to Section 3.01 of ARTICLE III as included within a Single Family Area, within LAKE FOREST, by virtue of being such an OWNER and for so long as he is such an OWNER, shall be deemed a Member of the ASSOCIATION, and, in the event of its dissolution, of the unincorporated association succeeding thereto pursuant to Paragraph B of Section 5.01 hereof.

(b) Upon becoming a Member of the ASSOCIATION, the rights, duties,

privileges, immunities, and liabilities of an OWNER of a LOT included in a Single Family Area within LAKE FOREST (including GRANTOR), as a Member of the ASSOCIATION, and of any succeeding unincorporated association, shall be those set forth in, and shall be exercised and imposed in accordance with, the LAKE FOREST RESTRICTIONS, the ARTICLES, the BY-LAWS, the LAKE FOREST RULES and the ARCHITECTURAL COMMITTEE RULES.

(c) The ASSOCIATION membership of each OWNER (including GRANTOR) of a LOT included in a Single Family Area within LAKE FOREST shall be appurtenant to said LOT, and shall not be transferred, pledged or alienated in any way except upon the transfer of title to said LOT and, then, only to the transferee of title to said LOT. Any attempt to make a prohibited transfer shall be void. Any transfer of title to said LOT shall operate automatically to transfer said membership to the new OWNER thereof.

(d) Notwithstanding the other provisions of this Section 2.1 or any other provisions of these BY-LAWS, no OWNER (though he shall be deemed to be a member as aforesaid) shall have the right to exercise the rights and privileges of a Member and, no OWNER shall be entitled to exercise the right to vote granted hereunder unless and until such OWNER shall have executed and delivered a Membership Agreement, substantially in the form of Exhibit "A" attached hereto and incorporated herein by reference, together with such proof of ownership of the LOT owned by such OWNER as may be prescribed by the BY-LAWS, provided that no such Membership Agreement or proof shall be required from the GRANTOR so long as the GRANTOR is in fact the owner of one or more LOTS.

(e) The BOARD may provide for the issuance of certificates, in a form which it shall determine, evidencing membership in the ASSOCIATION. Such certificates shall be consecutively numbered and contain the name and address of the Member. The date of issuance of the certificate shall be entered in the records of the ASSOCIATION by the Secretary. If any cert. is lost, mutilated or destroyed, a new certificate may be issued upon such terms and conditions as the BOARD may direct.

## SECTION 2.2 VOTING

At any meeting of the Members or election, each Member shall be entitled to cast the number of votes to which he is entitled under the LAKE FOREST RESTRICTIONS.

(a) Any Member may attend and vote at meetings or at elections in

person or by a proxy holder duly appointed by a written proxy signed by the Member and filed with the Secretary. Any proxy shall be for a term not to exceed eleven months unless otherwise expressly provided therein; provided, that in no case shall the term of any proxy exceed seven (7) years from the date of its execution. Any proxy may be revoked at any time by written notice to the Secretary. A proxy shall be deemed revoked when the Secretary receives actual notice of the death or judicially declared incompetence of such Member, or upon termination of such Members status as an OWNER. Where two or more persons have ownership interests in a LITT, any proxy with respect to the vote of such Members shall be signed by all such persons.

### SECTION 2.3 MEETINGS: QUORUM

(a) The first annual meeting shall be held within one year after the sale of the first LOT in LAKE FOREST to a Public Purchaser or at such earlier time if that be the case, as 51% of the LARS in LAKE FOREST have been sold and conveyed to Public Purchasers; but the time and place of such first annual meeting shall in other regards be determined as provided above.

(b) Thereafter, there shall be an annual meeting of the Members on the second Monday of June of each year at 8:00 pm at the principal office of the ASSOCIATION at LAKE FOREST or at such other time (not more than thirty days before or after such date) as may be designated by a written notice delivered or mailed to the Members not less than ten days nor more than sixty days prior to the date fixed for said meeting.

(c) Special meetings of the Members may be called at any time, for any purpose whatsoever, by the President, the BOARD, or one or more Members holding not less than one-fifth of the voting power of the ASSOCIATION. Said meetings shall be held at a reasonable place (within the County of Orange, State of California), and shall be called by written notice to the Members, delivered not less than ten (10) days nor more than sixty (60) days prior to the date fixed for said meeting. Said notice shall specify the date, time and place of the meeting and the general nature of the business to be transacted.

(d) The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a waiver of notice, or a consent to the holding of such a meeting, or

an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(e) The presence at any meeting, in person or by proxy, of Members having at least fifty percent (50%) of the total votes in the ASSOCIATION shall constitute a quorum.

(f) 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 forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called. At the subsequent meeting, the presence of Members, either in person or by proxy, having at least one-third of the total votes in the ASSOCIATION shall constitute a quorum.

(g) Unless otherwise expressly provided herein, any action may be taken at any meeting of the Members, or at any election, at which a quorum is present, upon the affirmative vote of at least a majority of the total votes present.

#### SECTION 2.4 VOTING BY BALLOT

(a) Any matter or issue requiring the vote of the Members of the ASSOCIATION, including the election of directors, may be submitted for a vote by written ballot without a meeting. The determination to resolve an issue in this manner shall be made by the BOARD by adoption of a resolution which shall specify the date for voting (which in no event shall be sooner than forty-five (45) days nor more than sixty (60) days after the date of adoption of such resolution), the form of the question to be submitted to the Members, and the form of the ballot. Within fifteen (15) days after adoption of the resolution, a full and complete copy thereof shall be sent to every Member of the ASSOCIATION at the address of such Member on the ASSOCIATION books or at the address of any LOT owned by such Member in LAKE FOREST.

(b) Balloting at such election may be conducted by mail or by the deposit of ballots at fixed polling places. In the latter case, the BOARD shall designate one or more such polling places within the boundaries of LAKE FOREST where Members may cast their votes. The BOARD shall notify the Members of the locations of such polling places at least fifteen (15) days prior to the election.

(c) Conduct of the election shall be in accordance with procedures

established by the BOARD. The BOARD is authorized to retain such services as it deems necessary to assist in establishing election procedures and supervising and controlling elections and to make reasonable expenditures in connection therewith. Such expenditures may include, without limiting the generality of the foregoing, the rental of computing and tabulation machines, the payment of fees for poll watchers, the renting of voting machines and similar expenses.

(d) At any such election, voting by proxy shall be allowed; provided, however, that each proxy shall be filed with the Secretary of the ASSOCIATION at least ten (10) days prior to the date of the election. The BOARD may make such provisions as it may consider necessary or desirable for absentee ballots.

(e) A quorum shall be deemed to have been present for purposes of an election held pursuant to this Section if the majority of the total number of eligible votes is cast in any such election. The reduced quorum provisions of Section 2.3(e) shall not apply to elections held under this Section.

(f) After tabulation of the ballots, the BOARD shall notify the Members in writing of the outcome of the election. If insufficient votes to constitute a quorum were cast, the BOARD shall so indicate in said written notification, and the election shall be of no effect.

ARTICLE III  
BOARD OF DIRECTORS

SECTION 3.1 CORPORATE POWERS

(a) Subject to any limitations of the ARTICLES, the LAKE FOREST RESTRICTIONS or applicable law as to action which must be authorized or approved by the Members, all corporate powers of the ASSOCIATION shall be exercised by, or under the authority of, and the business and affairs of the ASSOCIATION shall be controlled by, the BOARD.

(b) The BOARD shall exercise the corporate powers of the ASSOCIATION strictly in accordance with the LAKE FOREST RESTRICTIONS, the ARTICLES and these BY-LAWS, as any of them may be amended from time to time.

SECTION 3.2 NUMBER, QUALIFICATIONS AND ELECTIONS

(a) The authorized number of directors of this corporation shall be

five (5) until changed by amendment of the articles of incorporation or by a by-law duly adopted by the Members amending this Paragraph (a) of Section 3.2.

(b) Except for the first directors named in the ARTICLES, no person shall serve a Member of the BOARD who is not a Member of the ASSOCIATION. In the event that a corporation or other legal entity is a Member of the ASSOCIATION, it may designate one or more persons to serve on the BOARD on its behalf.

(c) At each annual meeting the Members shall elect the BOARD for the forthcoming year. Each Member may cumulate his votes and give one candidate, or divide among the candidates for director, a number of votes equal to the number of LOTS owned by the Member multiplied by the number of directors to be elected. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be deemed elected.

(d) Directors shall serve for a term of one (1) year or until their respective successors are elected, or until their death, resignation or removal, whichever is the earliest; provided, however, that the first directors named in the ARTICLES shall only serve until their successors are elected at the first annual meeting of the Members. Any director may resign at any time by giving written notice to the President or Secretary; and any director may be removed from office by a vote of a majority of the Members entitled to vote at an election of directors; provided, however, that unless the entire BOARD is removed, an individual director shall not be removed if the number of votes cast against his removal exceeds the quotient arrived at when the total number of Members entitled to vote is divided by one plus the authorized number of directors. If any or all directors are so removed, new directors may be elected at the same meeting.

(e) Vacancies on the BOARD shall be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual or special meeting of the Members.

### SECTION 3.3 MEETINGS

(a) An annual organizational meeting of the BOARD shall be held immediately following the adjournment of the annual meeting of the Members.

(b) At each annual organizational meeting, the BOARD shall adopt a schedule of other regular meetings of the BOARD to be held during the forthcoming year. No notice shall be required for such regular meetings of the BOARD.

(c) Special meetings of the BOARD may be called at any time by the President or, if he is unable or refuses to act, by any Vice President or by any three directors. Written notice of the time and place of special meetings shall be given at least twenty-four (24) hours prior to the holding of the meeting.

(d) A majority of the authorized number of directors shall constitute a quorum of the BOARD. 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 the act of the BOARD; unless the law, the ARTICLES or the BY-LAWS require a greater number.

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

(f) Any action required or permitted to be taken by the BOARD under any provision of the California General Corporation Law may be taken by the BOARD without a meeting if all the members of the BOARD individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the BOARD. Such action by written consent shall have the same force and effect as a unanimous vote of the directors at a duly called meeting of the BOARD at which a quorum of directors is present.

#### SECTION 3.4 BOOKS AND RECORDS

The BOARD shall cause to be maintained, in a manner consistent with generally accepted accounting principles, a full set of books and records showing the financial condition of the ASSOCIATION. At least once a year an independent, certified audit of such books and records shall be conducted. A copy of each such audit shall be made available,

within thirty (30) days following the completion of the audit, for inspection by any Member of the ASSOCIATION, during normal business hours, at the principal office of the ASSOCIATION or such other reasonable place as the BOARD may order.

ARTICLE IV  
OFFICERS

SECTION 4.1 OFFICERS

The officers of the ASSOCIATION shall be a President, a Vice President, a Secretary and a Treasurer. The ASSOCIATION may also have, at the discretion of the BOARD, one or more Assistant Secretaries or Assistant Treasurers and such other officers as may be appointed in accordance with the provisions of Section 4.3 hereof, the President and Vice President must be Members of the ASSOCIATION, but the other officers need not be. One person may hold two or more offices, except that the offices of President and Secretary shall not be held by the same person. In the event that a corporation or other impersonal entity is a Member of the Association, it may designate one or more persons to hold office on its behalf.

SECTION 4.2 ELECTION

The officers of the ASSOCIATION, except such officers as may be appointed in accordance with the provisions of Sections 4.3 or 4.5 hereof, shall be chosen annually by the BOARD, and each shall hold office until his resignation, removal or disqualification to serve, or until his successor is elected and qualified.

SECTION 4.3 SUBORDINATE OFFICERS

The BOARD may appoint, or may empower the President to appoint, such other officers as the business of the ASSOCIATION may require (including the Assistant Secretaries and Assistant Treasurers mentioned in Section 4.1 hereof), each of whom shall hold office for such period, have such authority and perform such duties as are provided in the BY-LAWS or as the BOARD may from time to time determine.



#### SECTION 4.4 REMOVAL AND RESIGNATION

Any officer may be removed, either with or without cause, by the BOARD or by any officer upon whom such power of removal may be conferred by the BOARD; provided, however, that only the BOARD shall remove an officer chosen by the BOARD. Any officer may resign at any time by giving written notice to the BOARD, the President or Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

#### SECTION 4.5 VACANCIES

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the BY-LAWS for regular appointments to such office.

#### SECTION 4.6 DUTIES OF OFFICERS

(a) The President shall be elected by the BOARD from among the directors. He shall be the chief executive officer of the ASSOCIATION and shall, subject to the control of the BOARD, have general supervision, direction and control of the business and affairs of the ASSOCIATION. He shall preside at all meetings of the Members and at all meetings of the BOARD, and shall have the general powers and duties of management usually vested in the office of President of a corporation along with such other powers and duties as may be prescribed by the BOARD or the BY-LAWS.

(b) The Vice President shall be elected by the BOARD from among the directors. 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 applicable to the President. He shall have such other powers and perform such other duties as from time to time may be prescribed by the BOARD or the BY-LAWS.

(c) The Secretary shall be elected by the BOARD but need not be a director or a Member of the ASSOCIATION. The Secretary shall keep or cause to be kept, at the principal office of the ASSOCIATION or such other reasonable place as the BOARD may order, a book of minutes of all meetings of directors and Members, including (without limitation) the time and place of holding, whether regular or special and, if special,

how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members and votes present in person or by proxy at Members' meetings, and the proceedings thereof. The Secretary shall keep appropriate current records showing the Members of the ASSOCIATION and their addresses. He shall give notice of all the meetings of the Members and of the BOARD as required by the BY-LAWS or by law; and shall keep the seal of the ASSOCIATION in safe custody. The Secretary shall have such other powers and perform such other duties as may be prescribed by the BOARD or by the BY-LAWS.

(d) The treasurer shall be elected by the BOARD but need not be a director or a Member of the ASSOCIATION. The Treasurer shall keep and maintain adequate and correct accounts of the properties and business transactions of the ASSOCIATION, including accounts of its assets, liabilities, receipts and disbursements. The books of account shall at all reasonable times be open to inspection by any director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the ASSOCIATION with such depositaries as may be designated by the BOARD; and shall disburse funds of the ASSOCIATION as may be ordered by the BOARD. He 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 ASSOCIATION. The Treasurer shall have such other powers and perform such other duties as may be prescribed by the BOARD or the BY-LAWS.

ARTICLE V  
MISCELLANEOUS

SECTION 5.1 MANAGER

The BOARD may employ the services of a Manager to manage the affairs of the ASSOCIATION, and, to the extent not inconsistent with the laws of the State of California, the BOARD may delegate to the Manager any of its rights or powers under the LAKE FOREST RESTRICTIONS.

SECTION 5.2 BONDS

All persons, whether members of the BOARD, officers, or otherwise, with authority to sign checks, drafts or other orders for payment of money or notes or contracts or to otherwise obligate the ASSOCIATION shall (at the expense of the ASSOCIATION) furnish an adequate and sufficient bond to insure the faithful and honest performance by them of their duties in connection therewith.

### SECTION 5.3 CORPORATE SEAL

The ASSOCIATION shall have a seal in circular form having within its circumference the words "LAKE FOREST COMMUNITY ASSOCIATION, Incorporated May 23, 1968, California"

### SECTION 5.4 ADOPTION OF ORIGINAL BY-LAWS

Subject to the right of Members to adopt, amend or repeal the BY-LAWS pursuant to Section 5.5 hereof, the original BY-LAWS of the ASSOCIATION may be adopted by the unanimous vote or written consent of all the Members of the BOARD.

### SECTION 5.5 AMENDMENT OF BY-LAWS

BY-LAWS may be adopted, amended or repealed by the Members by the affirmative vote of two-thirds (2/3) of the total votes cast in person or by proxy at a meeting or election of the Members at which a quorum is present; provided, however, that none of the provisions of Paragraphs (a) or (b) of Section 2.1 hereof, nor any of the provisions of Sections 3.1 or 3.2 hereof, shall be amended or repealed, in whole or in part, without the affirmative vote or written consent of Members holding not less than three-fourths (3/4) of the total voting power of the ASSOCIATION.

### SECTION 5.6 NOTICES

Any notice or other document relating to or required by these BY-LAWS may be delivered either personally or by mail. If by mail, it shall be deemed to have been delivered twenty-four (24) hours after the notice or other document has been deposited in the United States mail, postage prepaid, addressed as follows: if to the ASSOCIATION or the BOARD, at 4201 Birch Street, Newport Beach, California, 92660; if to a director or Member, at the address from time to time given by such director or Member to the Secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any LOT within LAKE FOREST owned by such director or Member.

### SECTION 5.7 ROBERTS RULES OF ORDER

Except as may be provided in these BY-LAWS, all meetings of the OWNERS and BOARD shall be conducted in accordance with Roberts Rules of Order.