

AMENDED AND RESTATED BY-LAWS
OF
LAGUNA AUDUBON II MASTER ASSOCIATION

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AMENDED AND RESTATED BY-LAWS
OF
LAGUNA AUDUBON II 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 Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Laguna Audubon II Master Association recorded Instrument No. 2010000234316 of Official Records of Orange County, California (the "Master Declaration") and any amendment thereto. All of the terms and provisions of the Master Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE II - PRINCIPAL OFFICE

Principal Office: The principal office for the transaction of the business of the Master Association is hereby fixed and located within the County of Orange, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said Orange County.

ARTICLE III - MEMBERS

Section 1. Membership. Every person or entity who is an owner of a Unit shall be a Member of the Master Association as provided in the Master Declaration. Membership shall be appurtenant to and may not be separated from ownership in any Unit which gives rise to such membership in the Master Association. Ownership of such a Unit or interest therein shall be the sole qualification for membership. Transfer of a Unit shall automatically transfer membership in the Master Association and all rights of the transferor with respect to the Common Area. The provisions of these By-Laws which are binding upon all Members, are not exclusive, and Members shall also be subject to the terms and provisions of the Master Declaration, the Articles and Master Association Rules.

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

Section 3. Voting Rights. The Master Association shall have the classes of voting membership as set forth in the Master Declaration. . Each Member shall be entitled to one (1) vote for each Unit owned.

Section 4. Plural Memberships. A Member may not own more than one membership in the Master Association but a Member shall have the votes for each Unit owned as set forth in the Master Declaration.

Section 5. 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 Master Declaration. Should any Member fail to pay his assessments before delinquency, the Master Association, at the discretion of the Board, shall have the right to suspend the voting rights and easements of use and enjoyment of the Common Area of such Member, subject to the procedural safeguards established under Section 6 of this Article, for any period during which the payment of any such Member's assessments remain delinquent.

Section 6. Master Association Rules; Enforcement. The Board shall have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as a Reimbursement pursuant to the Master Declaration. Any such disciplinary action by the Board shall satisfy the minimum requirements of California law before a decision to impose disciplinary action is reached with respect to the accused Member. In addition, said rules and regulations shall provide that no fine or penalty shall be levied without the following procedural safeguards:

- (a) A written statement of the alleged violations shall be provided to any Member against whom such charges are made and such written statement shall provide a date on which the charges shall be heard;
- (b) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least ten (10) days prior to that hearing;
- (c) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges;
- (d) The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairman) who may or may not be Members and who shall hear the charges and evaluate the evidence of the alleged violation;
- (e) At such hearing the Member so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;
- (f) The panel shall deliver to the Member so charged within fifteen (15) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor; and
- (g) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV - MEETINGS OF MEMBERS

Section 1. Place of Meetings. All meetings of Members shall be held at the Project or as close thereto as possible, or at such other place in the County of Orange as may be fixed from time to time by resolution of the Board. Unless unusual conditions exist, meetings of Members shall not be held outside of Orange County.

Section 2. Annual Meetings. Annual meetings of each Delegate District and each Annual Election of Delegates shall take place during the month of June. The board by resolution may fix a date for the meeting no more than sixty (60) days before or after said date.

Section 3. Special Meetings. Special meetings of the Members shall be promptly called by the Board upon either (i) the vote of the Board or, (ii) written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Master Association.

Section 4. Notice 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 through 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. All such notices shall be sent to each Member entitled thereto not less than ten (10) days nor more than sixty (60) days before each meeting, and shall specify the place, the day and the hour of such meeting, and (i) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of regular meetings, those matters which the Board, at the time of giving the notice, intends to present for action by the Members. Any approval of the Members required under Sections 7222, 7224, 7233, 7812 or 8719 of the California Corporations Code, other than unanimous approval by those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of the meeting. 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 therefor at the meeting at which such adjournment is taken.

Section 5. Quorum. Except as provided in the Master Declaration pertaining to quorum requirements for increases in assessments, the presence, in person or by ballot, at the meeting of Members of the Master Association entitled to cast twenty-five percent (25%) of the total voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Master Declaration or these By-Laws. If any meeting cannot be held because a quorum is not present, a majority of the Members present in person 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 an adjourned meeting shall be twenty-five percent (25%) of the total voting power of the Master Association. 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 in the manner prescribed for all

meetings, annual or special. Except where a greater portion of the voting power is required by the Articles, the Master Declaration, or these By-Laws a majority of the voting power present, in person or by ballot, shall prevail at all meetings.

Section 6. Proxies. Vote or representation by proxy is not permitted.

ARTICLE V - BOARD OF DIRECTORS

Section 1. Number. The affairs of the Master Association shall be managed by a Board of five (5) directors, until such number of directors is changed by a by-law duly adopted by the Members amending this Section.

Section 2. Election. At the 2010 annual meeting of the Association, the three (3) candidates receiving the highest number of votes shall be elected to serve a two (2) year term and the two (2) candidates receiving the next highest votes shall be elected to serve a one (1) year term. At each annual meeting thereafter, the successor shall be elected to serve a two (2) year term.

Section 3. Nomination of Directors. Nominations for the office of a member of the Board of Directors shall be made by submitting a candidacy form to the Association at least 45 days prior to the annual meeting. Nominations may also be made by Members from the floor at the annual meeting or such other meeting at which members of the Board of Directors are to be elected. Such nominations may only be made from among Members.

Section 4. Election Procedures. Election to the Board of Directors shall be by secret written ballot. At such election, the Delegates may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Master Declaration. Cumulative voting is not permitted.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Master Association. In the event of death or resignation of a director, his successor shall be elected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. In the event of removal of a director, his successor shall be elected by the Members of the Master Association.

Section 6. Vacancies. Vacancies on the Board, except vacancies arising from removal of a director, may be filled by a vote of a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any director. The Board may declare vacant the office of a Director who fails to attend at least half of the regularly scheduled Board Meetings in a fiscal year or who fails to attend three (3) consecutive Board Meetings. 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 renders his resignation to the Board, the Board shall have the 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. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such place and hour within the Property as may be fixed from time to time by resolution of the Board. However, such meetings may be conducted as infrequently as every six (6) months if the business to be transacted by the Board of Directors does not justify more frequent meetings. Notice of the time and place of each meeting shall be posted at a prominent place or places within the Common Area and shall be communicated to Board members not less than four (4) days prior to the meeting; provided, however, that notice of a meeting need not be given to any Board member who has signed a waiver of notice or written consent to the holding of the meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by written notice signed by the President of the Master Association, or by any two (2) directors other than the President, after not less than seventy-two (72) hours notice to each director. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all members of the board of Directors and posted in a manner prescribed for notice of regular meetings 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 Board member who signed a waiver of notice or a written consent to holding of the meeting.

Section 9. Quorum. A majority of the number of directors as fixed by the Articles or 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 10. Attendance of Meetings. Regular and special meetings of the Board of Directors shall be open to all Members of the Master Association; provided, however, that Master Association Members who are not on the governing body may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

Section 11. Adjournment of Meetings. The Board of Directors may, with the approval of a majority of a quorum of its members, 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 12. Action Without Meeting. Any action which may be taken by the Board of Directors at a regular or special meeting may be taken without a meeting. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be given by the Board to Members of the Master Association within three days after all written consents have been obtained. This explanation shall be given in the manner prescribed herein for the giving of notice of regular meetings of the Board of Directors.

Section 13. Indemnification of Directors, Officers and Employees. The Master Association may, to the maximum extent permitted by Section 7237 of the California Corporations Code, reimburse, indemnify and hold harmless each present and future director, officer and employee of the Master Association and each person who, at the request of the Master Association acts as a director, officer or employee of any other corporation in which the Master Association 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 the Master Association or such other corporation, or by reason of any action alleged to have been taken or omitted by him in such capacity. 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.

Section 14. Records. The Board shall cause to be kept a complete record of all 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 if requested in writing by one-fourth (1/4) of the Members entitled to vote thereat.

ARTICLE VI - POWERS AND DUTIES OF DIRECTORS

Section 1. Powers. In addition to the powers and duties of the Board as set forth in the Master Declaration and the Articles, and subject to limitations of the Articles, the Master Declaration, or these By-Laws and of the California Corporations Code as to actions to be authorized or approved by the Members, and subject to the duties of the directors as prescribed by these By-Laws, 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 Board is vested with and shall have the following powers; to wit:

(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, the Articles, the Master Declaration and/or these By-Laws.

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

(c) 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 of this Master Association to which the assets of this master Association shall be distributed upon liquidation or 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 under the terms of a specific trust or trusts.

(d) to maintain the Project and the Common Area therein in accordance with terms, covenants and conditions of the Master Declaration, but subject to the limitations on the power of the Board as specifically set forth in the Master Declaration.

ARTICLE VII - OFFICERS AND THEIR DUTIES

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

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

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

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

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, and President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of any officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers shall be as follows:

(a) **President.** The President shall preside at all meetings of the Board of Directors and at all meetings of the Members; shall implement the orders and resolutions of the Board; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes of the Master Association.

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

(c) **Secretary.** The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of its Members; keep the corporate seal of the Master Association and affix it to all papers requiring such seal; keep, or cause to be kept, appropriate current records showing the Members of the Master Association, together with their addresses, and shall perform such other duties as may be required by the Board.

(d) **Treasurer.** The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Master Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Master Association; and shall keep proper books of account.

ARTICLE VIII - MISCELLANEOUS

Section 1. Record Owner. The record Owner of each Unit as of the date of any annual or special meeting of the Members shall be entitled to vote at any such meeting.

Section 2. Checks, Drafts, etc. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issues in the name of or payable to the Master Association, shall be signed or endorsed by the President and Treasurer, or other person or persons and in such manner, from time to time, as shall be determined by resolution of the Board.

Section 3. Contracts, How Executed. The Board, except as in these By-Laws otherwise provided, may authorized 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 for any amount. The Board

shall not enter into any contracts for goods or services with a duration greater than one (1) year without the vote or written consent of a majority of the total voting power of the Master Association, with the following exceptions: (i) a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration; (ii) a contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty and/or liability insurance policies of not to exceed three (3) years' duration, provided that the policy permits for short rate cancellation by the insured; (iv) a lease agreement for laundry room fixtures and equipment of not to exceed five (5) years duration; (v) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration; or (vi) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration. Any agreement for professional management of the Master Association must provide that the management contract may be terminated by either party without cause or payment of a termination fee upon thirty (30) days written notice and the term of such contract shall not exceed one (1) year.

Section 4. Inspection of By-Laws. The Master Association shall keep in its principal office 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 by all of the Members at all reasonable times.

Section 5. 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 6. Conflicts. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of a conflict between the Master Declaration and the By-Laws, the Master Declaration shall control.

ARTICLE IX - BOOKS AND RECORDS

Section 1. Inspection Rights of Members. The membership register, including mailing addresses and telephone numbers, books of account, records, papers, minutes of Member's meetings and Board of Directors' meetings and of committees of the Board of Directors of the Master Association shall at all times, during reasonable business hours, be subject to inspection by any Member and the lender of any Owner of a Unit, 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 Property as the Board shall prescribe.

Section 2. Rules for Inspection. The Board of Directors shall establish reasonable rules with respect to the following:

(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;
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 3 Rights of 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.

ARTICLE X - AMENDMENTS

Section 1. Powers of Members. The By-Laws may be adopted, amended or repealed only by the vote or written assent of Delegates entitled to exercise a majority of the voting power of the Master Association..

Section 2. 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.

Section 3. FHA and VA Approval. So long as there is a Class B membership, any amendment to these By-Laws shall require the prior approval of the Veterans Administration and the Federal Housing Administration. A draft of any Amendment to these By-Laws shall be submitted to the VA for its approval prior to its approval by the membership of the Master Association.

ARTICLE XI - CORPORATE SEAL

The Master Association shall have a seal in circular form having within its circumference the words:

LAGUNA AUDUBON II MASTER ASSOCIATION

INCORPORATED

FEBRUARY 10, 1989

CALIFORNIA

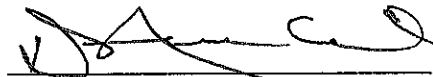
CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of Laguna Audubon II Master Association, a California nonprofit mutual benefit corporation ("Association"); and

2. The foregoing Amended and Restated Bylaws for Laguna Audubon II Master Association was duly adopted by the appropriate written consent of the Delegates of the Master Association on April 28, 2010.

Dated: May 27, 2010


Secretary