

BYLAWS
OF
BEAR VALLEY HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the Corporation is BEAR VALLEY HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association".

The principal office of the Association shall be located in the County of San Bernardino, State of California, but meetings of members and Directors may be held at such places within the State of California, County of San Bernardino as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to BEAR VALLEY HOMEOWNERS ASSOCIATION, a California, Non-Profit, Mutual Benefit corporation, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property located in San Bernardino County, California, described as Lots 1 through 41, inclusive and Common Area Lots X, Y & Z of Tract #11796-1 as shown on a map thereof recorded in Book _____ on Pages _____ and _____ of Miscellaneous Maps, records of San Bernardino County, California and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean and refer to those portions of the Properties and improvements thereon which are owned by the Association for the common use and enjoyment of all of the Owners and more particularly described as: Lots X, Y & Z of Tract #11796-1, as shown and described on Subdivision Map filed in Book _____, Pages _____ and _____, inclusive, of Miscellaneous Maps, in the Office of the San Bernardino County Recorder and such additions thereto as may hereafter be brought within the jurisdiction of the Association, subject to San Bernardino County easements of records.

Section 4. "Lot" (also referred to as a "subdivision interest") shall mean any residential lot or parcel of land shown upon a recorded subdivision map of recorded parcel map of the Properties.

Section 5. "Dwelling" shall mean a dwelling building located on a Lot designed and intended for use and occupancy as a residence by a Family:

Section 6. "Owner" shall mean the Person or Persons holding fee simple interest of record to any Lot which is a part of the Properties, and such additions or inclusions thereto, including sellers under executory contracts of sale, but excluding those having such interest merely as a security for the performance of an obligation.

Section 7. "Grantor" shall mean and refer to Bea Valley Homes, a General Partnership, its successors and/or any person(s) to which it shall have assigned any rights hereunder by express written assignment. The term "Declarant" when used herein shall be synonymous with the term "Grantor".

Section 8. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in Book _____, Pages _____ in the Office of the County Recorder, County of San Bernardino, State of California, including such amendments thereto as from time to time may be recorded.

Section 9. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration and in Article III of these Bylaws.

Section 10. "Phase 1" shall mean and refer to the Properties to be developed consisting of residential Lots 1 through 41 and Common Area Lots X, Y & Z of Tract #11796-1.

Section 11. "Family" shall mean (1) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of not more than five (5) natural persons not all so related, inclusive of their domestic servants, who maintain a common household.

ARTICLE III

Members

Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. This Association shall have two (2) classes of voting membership:

CLASS A. Class A Members shall originally be all Owners with the exception of the Declarant for so long as there exists a Class B membership. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

CLASS B. The Class B Member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class "B" membership shall forever cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

- (a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or
- (b) The second anniversary of the original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a phase of the development; or
- (c) Four years following the date of the original issuance of the public report by the California Department of Real Estate for Phase 1 of the development.

Except with respect to action to enforce the obligations of Declarant under any completion bond, membership approval of action to be taken by the Association shall require the vote or written consent of the prescribed percentage of each class of membership during the time that there are two classes of membership. Except with respect to action to enforce the obligations of Declarant under any completion bond, any requirement in the Articles of Incorporation, Bylaws or Declaration of Restrictions that the vote of the Declarant shall be excluded in any determination, shall be applicable only if there has been a conversion of Class "B" to Class "A" Members, and the same shall be read as requiring the prescribed percentage of the Class A members and the prescribed percentage of the Class A members other than the Declarant.

ARTICLE IV

Membership Assessment and Lien Rights

Section 1. REGULAR ASSESSMENTS. The Board shall fix and determine from time to time regular Common Assessments to be paid by each Owner for the purpose of operating, maintaining and repairing the Common Area, paying for the necessary expenditures of the Association as provided in these Bylaws and the Declaration, and establishing an operating reserve for replacement all as set forth in the Declaration.

Section 2. CAPITAL IMPROVEMENT, RECONSTRUCTION AND SPECIAL ASSESSMENTS. In addition to the regular assessments authorized above, the Board may levy a Capital Improvement or a Reconstruction Assessment for the purpose of defraying, in whole or in part, the cost of any reconstruction to the Common Area or Special Assessments for such other purpose as may be determined by the Board all as set forth in the Declaration.

Section 3. LIEN RIGHTS. As more fully provided in the Declaration, the Association shall have a lien against the interest of each Owner in a Lot to secure the full and prompt payment of all assessments levied by the Association in compliance with these Bylaws, and in the event of default by an Owner, said interest of such Owner may be foreclosed by the Association in the same manner as a realty mortgage or may be enforced by sale pursuant to §§2924, 2924(a), 2924(b), 2924(c) and §2924(f) of the California Civil Code, and to that end a power of sale is hereby conferred upon the Association, and any redemption thereafter shall be subject to the lien hereby created as to other or future events of default; provided, however, that the lien hereby created shall, at all times, be subordinate and inferior to the lien of any first Mortgage placed on the Lot.

Any assessments which are not paid when due shall be delinquent. If the assessments are not paid within thirty (30) days after the due date, the assessments shall bear interest from the due date at the rate of ten percent (10%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same and, in addition thereto or in lieu thereof, may foreclose the lien as above provided, and interest, costs and reasonable attorney's fees incurred in any such action shall be added to the amount of such assessments. No Owner may waive or otherwise escape liability for the assessments provided for hereby by nonuse of the Common Area or abandonment of his Lot.

A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area and facilities for which the member was allegedly responsible, or in bringing the member and his subdivision interest into compliance with the governing instruments may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the member's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(a), 2924(b), 2924(c) and 2924(f) of the Civil Code.

The provisions of this Section 3, regarding monetary penalty, do not apply to charges imposed against an owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorney's fees) in its efforts to collect delinquent assessments.

If there exists a conflict between the terms of this Article IV, Section 3 and any other provision of these Bylaws, Article IV, Section 3 will prevail.

Section 4. PAYMENT OF ASSESSMENTS BY DECLARANT. The Declarant shall pay all assessments levied by the Association against any Lot owned by it at the same time, in the same manner and in the same amounts as any other Owner.

Section 5. COMMENCEMENT OF REGULAR ASSESSMENTS. The regular assessments shall commence as to all Lots of Phase 1 on the first day of the calendar month following the close of the first sale of a Lot by Declarant. As subsequent Lots are added by annexation, the regular assessment amount will change to include the new Owners of the subsequent lot development. The assessments shall be at a uniform rate for all Lots. The regular assessment for the Lots of the annexed Properties shall commence on the first day of the month following conveyance of the first Lot of each of the future phases of development.

ARTICLE V

Membership Rights and Privileges

No member shall have the right without the prior approval of the Board to exercise any of the powers or to perform any of the acts by these Bylaws delegated to the Board as in Article VII of these Bylaws more fully provided. Unless otherwise provided in the Declaration and subject to the rules and regulations adopted by the Board, each Member of the Association, his immediate family, guests and tenants shall have the right to use the Common Area.

The membership rights and privileges, together with the voting rights of any member of the Association, may be suspended by the Board for any period of time during which the assessment on his Lot remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations after appropriate written notice and an opportunity for a hearing before the Board (pursuant to California Corporation Code 7341). Reasonable monetary penalties may be adopted by the Board of Directors.

ARTICLE VI

Meetings of Members

Section 1. PLACE OF MEETING. All meetings of members shall be held within the Properties or at such other location in San Bernardino County, California, in reasonable proximity to the Properties, as may be designated in the notice of meeting.

Section 2. ANNUAL MEETINGS OF MEMBERS. The first annual meeting of members shall be held within six (6) months after the close of escrow for the sale of the first Lot by Declarant, or within forty-five (45) days after close of escrow for the sale by Declarant of fifty-one percent (51%) of the Lots of Phase 1, whichever shall first occur. Subsequent annual meetings of members shall be held on the annual anniversary of the first annual meeting of members. Should any annual meeting day fall upon a legal holiday, then such annual meeting of members shall be held on the annual anniversary of the first annual meeting of members. Should any annual meeting day fall upon a legal holiday, then such annual meeting of members shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday.

Written notice of each such annual meeting shall be given to each member and, upon written request therefor, to all first Mortgagees either personally or by sending a copy of the notice through the mail or by telegraph, charges prepaid, to his address appearing on the books of the Association or supplied by him to the Association for the purpose of notice. If no address is supplied, notice shall be deemed to have been given him if mailed to the address of the Lot owned by such member or encumbered by the first Mortgagee, or published at least once in some newspaper of general circulation in the county of said principal office. All such notices shall be sent not less than ten (10) days (except in emergency situations in which case as much advance notice shall be given as is reasonably possible) and not more than ninety (90) days before each annual meeting, and shall specify the place, day and hour of such meeting.

Section 3. SPECIAL MEETING. Special meetings of members, for any purpose or purposes whatsoever, may be called at any time by a majority of a quorum of the Board, and shall be called by the Board of Directors upon a written request for a special meeting signed by members representing at least five (5%) percent of the total voting power of the Association. Written notice of such special meetings shall be given in the same manner as for annual meetings of members. All such notices shall be sent not less than ten (10) days and not more than ninety (90) days before such special meeting. Notices of any special meeting shall specify, in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

Section 4. ADJOURNED MEETINGS AND NOTICE THEREOF. Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power present in person or represented by proxy, but in the absence of a quorum no other business may be transacted at any such meeting.

If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting after adjournment, nature of the time and place of

the adjourned meeting shall be given to members in the manner prescribed for regular meetings. The requirements for a quorum are stated in Section 7 of this Article VI.

Section 5. MORTGAGEE REPRESENTATION. First Mortgagees shall have the right to attend all membership meetings through a representative designated in writing and delivered to the Board.

Section 6. VOTING. Voting of the members shall be by secret written ballot. Elections for directors shall be by secret written ballot. A Member shall be entitled to cumulate his votes for one or more candidates at any election for directors if the candidate's name has been placed in nomination prior to voting and if the member has given notice at the meeting prior to the voting of his intention to cumulate votes. If any one member has given such notice, then all members will be entitled to vote for directors in nomination. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Unless the entire Board is removed from office by the vote of the members, no individual director shall be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the director if voted cumulatively at an election at which these same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of the Board of Directors were then being elected. Any director elected to office solely by the votes of members other than Declarant as provided below may be removed from office prior to the expiration of his term only upon the vote of a simple majority of the voting power of Members other than Declarant. At all times, not less than 20% of the incumbents on the Board of Directors shall have been elected solely by the votes of the Members other than Declarant. In the event the election of directors is held at any meeting of members, each member shall have the right to nominate from the floor candidates for the office of director.

Section 7. QUORUM. The presence in person or by proxy of a majority of the voting power entitled to vote at any meeting shall constitute a quorum for the transaction of business. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment. In the event any meeting of members 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, at which meeting the quorum requirement shall be twenty-five percent (25%) of the voting power of the membership of the Association.

Section 8. CONSENT OF ABSENTEES. 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 written waiver of notice, or a consent to the holding of such 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.

Section 9. ACTION WITHOUT MEETING. Any action which may be taken by the vote of Members at a regular or special meeting, except the election of Directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of California Corporation Code 7513.

Section 10. PROXIES. Every person entitled to vote or execute consents shall have the right to do so either in person or by a written proxy executed by such person and filed with the secretary of the Association. All proxies shall be revocable and shall automatically terminate upon transfer of title of a Lot by the Owner.

ARTICLE VII

Directors

Section 1. POWERS AND DUTIES. The Directors shall have the powers and duties set forth in the Declaration.

Section 2. NUMBER AND QUALIFICATIONS OF DIRECTORS. The Board shall consist of five (5) directors until changed by amendment to this section of the Bylaws. Directors need not be members of the Association.

Section 3. ELECTION AND TERM OF OFFICE. At the first annual meeting of members, three (3) Directors shall be elected for a term of one (1) year and two (2) Directors for a term of two (2) years. Thereafter, Directors shall be elected at each annual meeting of members to fill the vacancies of those Directors whose term then expires and the term of each such Director so elected shall be two (2) years. If any annual meeting is not held or the Directors are not elected thereat, the Directors may be elected at any special meeting of members held for that purpose. All Directors shall hold office until their successors are elected. The election of Directors may be conducted by mail in such manner as the Board may determine.

Section 4. VACANCIES. Vacancies in the Board may be filled by 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, or if the members shall increase the authorized number of Directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect the additional directors so provided for, or in case the members fail at any time to elect the full number of authorized Directors.

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 to the Bylaws 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.

A vacant Director's position caused by removal may only be filled by a majority vote of the Members of the Association other than Declarant. Any Director elected solely by the votes of the Members other than Declarant may be removed only by the vote of a single majority of the Members other than Declarant.

Section 5. PLACE OF MEETING. All meetings of the Board shall be held within the Properties.

Section 6. ORGANIZATION MEETING. Immediately following each annual meeting of members, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of the annual meeting of Members shall be given pursuant to Section 2 of Article VI of these Bylaws.

Section 7. REGULAR MEETINGS. Regular meetings of the Board shall be held monthly at a time and place within the Properties fixed by the Board from time to time.

Notice of the time and place of a regular meeting of the Board shall be posted at a prominent place or places within the Properties and shall be communicated to each Board member not less than four 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 a written consent to holding of the meeting.

Section 8. SPECIAL MEETING. Special meetings of the Board may be called by written notice signed by the President of the Association or by any two (2) directors other than the President.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be delivered personally to the directors or sent to each director by letter or by telegram, charges prepaid, 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 has signed a waiver of notice or a written consent to the holding of the meeting. Notice of the special meeting shall also be posted in a manner prescribed for notice of regular meetings.

Section 9. NOTICE OF ADJOURNMENT. Notice of adjournment of any directors' meeting, either regular or special, need not be given to absent directors if the time and place are fixed at the meeting adjourned.

Section 10. 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 be conclusive and incontrovertible evidence that due notice of such special meeting was given to such director as required by law and these Bylaws.

Section 11. WAIVER OF NOTICE. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at 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 and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 12. QUORUM. A majority of the directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as an act of the Board.

Section 13. ADJOURNMENT. A quorum of the directors may adjourn any directors' 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 the directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 14. COMPENSATION AND FEES. Neither the directors nor the officers of the Association shall receive any monetary compensation for their services performed in the conduct of the business of the Association, except upon the vote or written consent of a majority of the voting power of the Association other than Declarant. Nothing herein contained shall be construed or preclude any director or officer from serving the Association in any other capacity as an agent, employee or otherwise and receiving compensation therefor. Directors and officers of the Association may be reimbursed for expenses incurred in carrying on the business of the Association.

Section 15. ACTION OF BOARD WITHOUT MEETING. Any action required or permitted to be taken by the Board in emergency situations may be taken without a meeting if all members of the Board consent in writing to the action to be taken. An explanation of the action taken shall be posted at a prominent place or places within the Properties within three (3) days after the unanimous written consent of the Board members have been obtained.

Section 16. ATTENDANCE AT MEETINGS AND EXECUTIVE SESSIONS. Regular and special meetings of the Board shall be open to all members of the Association; provided, however, that 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, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and other matters of business of a similar nature. Only members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 17. EXECUTIVE COMMITTEE. The Board shall have the power to appoint an Executive Committee and to delegate to such Committee any of the powers and authorities of the Board in the management of the business and affairs of the Association, except the power to adopt, amend or repeal Bylaws. The Executive Committee shall be composed of three (3) or more directors, one of whom shall also be the president.

Section 18. "ARC". The Board shall appoint an Architectural Review Committee ("ARC") as provided in the Declaration.

ARTICLE VIII

Officers

Section 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 (1) or more assistant secretaries, one (1) or more assistant-treasurers and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Officers other than the president need not be directors. One (1) person may hold two (2) or more offices, except those of president and secretary.

Section 2. ELECTION. The officers of the Association except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article VIII, shall be chosen annually by the Board, and each shall hold his office until he shall resign, or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. SUBORDINATE OFFICERS. The Board may appoint such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws 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 a majority of the directors at the time in office, at any regular or special meeting of the Board or, except in case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Board or the president, or to the secretary of the Association. Any such resignation shall take effect at 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 not 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 the Bylaws for regular appointments to such office.

Section 6. PRESIDENT. The president 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 officers of the Association. He shall preside at all meetings of the members and at all meetings of the Board. He shall be ex-officio a member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board or by the Bylaws. The president shall sign all written instruments and shall co-sign all checks and promissory notes of the Association.

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 powers of and be subject to all the restrictions upon the 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 by the Bylaws.

Section 8. SECRETARY. The secretary shall keep, or cause to be kept, a book of minutes, at the principal office or such other place as the Board may order, of all meetings of directors and members, with 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 the directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

The secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board required by the Bylaws or by law to be given, and shall keep other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

Section 9. TREASURER. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any director.

The treasurer shall co-sign all checks and promissory notes of the Association and shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the board. He shall disburse the funds of the 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 Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

ARTICLE IX

Miscellaneous

Section 1. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by the president and treasurer of the Association.

Section 2. CONTRACTS, ETC. HOW EXECUTED. The Board, except as in the Bylaws otherwise provided, may authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name and on behalf of the 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 Association to any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 3. INSPECTION OF BOOKS AND RECORDS. The Association shall keep in its principal office for the transaction of business or at such other place within

the Properties as the Board shall prescribe, the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the Secretary, a membership register, books of account and copies of minutes of all Membership, Board and Committee meetings, all of which shall be made available for inspection and copying by any member of the Association, or by any member's duly appointed representative and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to his interest as a member or Mortgagee. The Board shall establish reasonable rules with respect to:

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

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association. The right of inspection by a director shall include the right at his expense to make extracts and copies of documents.

Section 4. FISCAL YEAR. The fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) day of December of each year, except that the first fiscal year shall begin on the date of incorporation of the Association. However, the fiscal year of the Association is subject to change from time to time as the Board shall determine.

Section 5. FINANCIAL STATEMENTS. The Board shall cause a financial statement (including a balance sheet and operating statement) of the affairs of the Association to be made and distributed to each member of the Association:

(a) as of the last day of the month closest in time to the date six (6) months following close of escrow for the sale of the first Lot by Declarant to an Owner. Said financial statement shall reflect the financial condition of the Association as of said date and shall summarize the financial transactions in which the Association was involved during the period between the close of the first sale and the date of the financial statement. The financial statement shall include a schedule of assessments received or receivable, itemized by Lot, and shall include the name of the person or entity assessed. A copy of said financial statement shall be distributed personally or by mail to each of the members of the Association and, upon written request, to all first Mortgagees, within sixty (60) days after the date of such financial statement.

(b) as of the last day of each fiscal year of the Association (Annual Report); said financial statement shall reflect the financial condition of the Association as of said date, a statement of changes in financial position for the fiscal year, any information required to be reported under §8322 or other Sections of the Corporations Code, and shall summarize the financial transactions in which the Association was involved during the period between the close of the first sale of a Lot or the last of such financial statements and the date of the current financial statement. Said financial statement shall include

an external audit by an independent public accountant for each fiscal year. A copy of the financial statement shall be distributed personally or by mail to each member of the Association, and upon written request, to all first Mortgagees within one hundred twenty (120) days following the end of each fiscal year.

Section 6. BUDGET. The Board shall cause a proforma operating statement (budget) for the Association to be prepared for each fiscal year of the Association, a copy of which shall be distributed personally or by mail to each of the members of the Association not less than forty-five (45) days prior to the beginning of the fiscal year to which the budget relates.

Section 7. CONFLICT. If there exists a conflict between the terms of these Bylaws and the recorded Declaration of Restrictions covering the Properties, the recorded Declaration will prevail.

ARTICLE X

Amendments

Except as otherwise provided herein, new Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the members entitled to exercise fifty-one percent (51%) or more of the voting power of each class of members of the Association or by written assent of such members; provided, however, that so long as there remains a Class B membership of the Association, the Veterans Administration or Federal Housing Administration, when applicable, shall have the right to veto any amendments to these Bylaws.

When the two-class structure is no longer in effect because of conversion of one class to another, then any amendment or revocation may be enacted by fifty-one percent (51%) of both the voting power of the Association and the voting power of the Class A members other than Declarant.

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of BEAR VALLEY HOMEOWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation; and

2. That the foregoing Bylaws, comprising thirteen (13) pages, constitute the Bylaws of said corporation duly adopted at the meeting of the Board of Directors thereof duly held on _____, 19__.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this _____ day of _____, 19__.

STEVE HOWELL, SECRETARY