

BYLAWS
OF
LADERA RANCH MAINTENANCE CORPORATION

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FOR BYLAWS OF

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BYLAWS
OF
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Article I
GENERAL PLAN

The Ladera Ranch Maintenance Corporation (“LARMAC”) is the homeowners association formed to manage and maintain the LARMAC Property, enforce the LARMAC Governing Documents and impose architectural control in the community. Each homeowner in the Covered Property will become a Member of LARMAC. The Board of Directors of LARMAC oversees its operations. Day to day activities are performed by the Community Manager and supervised by the LARMAC Board. Specific day-to-day responsibilities are assigned to the LARMAC officers.

To encourage the community to be involved in the operation of LARMAC, the Declarant has divided the Covered Property into Neighborhoods and assigned each Neighborhood a Neighborhood Representative. The Neighborhood Representative will be responsible for keeping Neighborhood residents informed of LARMAC activities, voting on certain issues and performing other duties described in Section 4.1.

For significant matters, decisions can only be made by a vote of the Members. Rules regarding Members decisions are in Article VI.

Responsibilities in two specific areas are delegated to two separate committees: the Aesthetics Review Committee and the Covenant Committee. The Aesthetics Review Committee is responsible for updating the Aesthetics Standards and reviewing plans for proposed architectural and landscaping modifications. Rules regarding operation of the Aesthetics Review Committee are in the Master Declaration. The Covenant Committee is responsible for enforcing the LARMAC Governing Documents. Rules regarding operation of the Covenant Committee are in the Master Declaration. The notice and hearing procedure the Covenant Committee will use when addressing violations of the LARMAC Governing Documents is in Article IX of these Bylaws.

The Board also has the power to appoint a Nominating Committee. The Nominating Committee will assist the Board in its search for volunteers to serve as Board members or Neighborhood Representatives. The Nominating Committee is described in Section 2.15.2 of these Bylaws. The Board and president both have the power to appoint other committees to assist in various aspects of operation of LARMAC.

Below is a chart showing the relationship of these different parties.

BOARD OF DIRECTORS
Oversees all operations

<i>Officers</i>	<i>Committees</i>	<i>Neighborhood Representatives</i>	<i>Members</i>
President Vice President Secretary Chief Financial Officer	Covenant Committee Aesthetics Review Committee Nominating Committee		
■ Assigned broad duties	■ Have jurisdiction over specific matters	■ Responsible for communications with Members and voting on certain issues	■ Receive benefits of Membership ■ Encouraged to participate and responsible for complying with the LARMAC Governing Documents ■ Vote on select issues

These Bylaws establish the procedures to be followed by the LARMAC Board, the Community Manager, the LARMAC officers, committees, Neighborhood Representatives and Members as they operate LARMAC.

1.1 NAME. The name of the corporation is the **Ladera Ranch Maintenance Corporation**. The principal office of LARMAC shall be located in Orange County, California.

1.2 DEFINITIONS AND INTERPRETATION. Unless otherwise provided in these Bylaws, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Master Declaration. These Bylaws shall be interpreted in accordance with Section 14.2 of the Master Declaration.

1.3 LARMAC RESPONSIBILITIES. In accordance with the Master Declaration, LARMAC is responsible for the following:

- ✓ administering the Covered Property,
- ✓ maintaining the LARMAC Property,
- ✓ approving the Budget,
- ✓ establishing and collecting all assessments authorized under the Master Declaration,
- ✓ providing overall architectural and landscaping control in the Covered Property, and

- ✓ enforcing the LARMAC Governing Documents.

1.4 APPLICATION. The provisions of these Bylaws are applicable to the phased master planned community known as Ladera Ranch, located in Orange County, California. All Persons occupying a Residence in the Covered Property or using the facilities of the Covered Property in any manner are subject to the LARMAC Governing Documents. By acquiring, renting or occupying any Residence in the Covered Property the Person doing so signifies that the Person agrees to comply with the LARMAC Governing Documents.

Generally, the Board of Directors is responsible for overseeing the operations of LARMAC and making most of the decisions regarding LARMAC operations. However, in some situations, LARMAC decisions can only be made by the Members or the Neighborhood Representatives. Each of the following articles describes these various responsibilities. Article II describes how the Board of Directors operates. Article III describes the duties and responsibilities of the LARMAC officers. Article IV describes how the Neighborhood Representatives make decisions. Article VI describes the process used to obtain Member decisions on issues.

The following is a list of the parties who participate in operation of LARMAC and the issues which must be presented to them for approval.

<i>Board of Directors</i>	<ul style="list-style-type: none"> • <i>All issues that are not reserved exclusively to the Members and/or the Neighborhood Representatives</i>
<i>Neighborhood Representatives</i>	<ul style="list-style-type: none"> • <i>Certain amendments to the Master Declaration and the Bylaws</i> • <i>Annexations to the Covered Property that are not made by the Declarant or Neighborhood Builders</i> • <i>Certain contracts (see Section 2.9.3 of these Bylaws)</i> • <i>Directors' and officers' compensation (if any)</i>
<i>The Entire Membership</i>	<ul style="list-style-type: none"> • <i>Elect, remove and replace Directors</i> • <i>Certain amendments to the Bylaws and the Master Declaration</i> • <i>Certain increases in Common Assessments and Capital Improvement Assessments</i> • <i>Litigation expenses LARMAC will incur as a plaintiff</i>
<i>Each Neighborhood</i>	<ul style="list-style-type: none"> • <i>Elect and remove the Neighborhood Representative for that Neighborhood</i>
<i>Members in Special Benefit Areas</i>	<ul style="list-style-type: none"> • <i>Certain increases in the Assessments (See Master Declaration Section 8.5.2)</i> • <i>Certain Special Benefit Area Capital Improvement Assessments</i>
<i>Declarant</i>	<ul style="list-style-type: none"> • <i>Certain amendments to the Bylaws and the Master Declaration</i> • <i>Certain items listed in Section 6.6 of the Master Declaration</i>
<i>First Mortgagees</i>	<ul style="list-style-type: none"> • <i>Items listed in Master Declaration Section 14.3.3</i>

1.5 LIMITS.

1.5.1 Organization and Activity. LARMAC is organized exclusively for purposes within the meaning of Section 501(c)(4) of the IRC. LARMAC shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of LARMAC. LARMAC shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) of the IRC or the corresponding provision of any future United States internal revenue law.

1.5.2 Political Activities. LARMAC shall not participate in or intervene in (including publishing or distributing statements) any political campaign on behalf of or in opposition to any candidate for political office or any proposed legislation.

1.5.3 Assets and Property. The property, assets, profits, and net income of LARMAC are irrevocably dedicated to social welfare purposes. No part of the earnings of LARMAC shall ever inure to the benefit of any director, trustee, officer, shareholder or member of LARMAC or to the benefit of any private individual.

1.5.4 Not for Profit. LARMAC is not organized, and shall not be operated, for pecuniary gain or profit.

1.5.5 Dissolution. On the winding up and dissolution of LARMAC, after paying or adequately providing for its debts and obligations, LARMAC's remaining assets shall be distributed to such organizations organized and operated exclusively for social welfare purposes which have established tax-exempt status under Section 501(c)(4) of the IRC or the corresponding provisions of any future United States internal revenue law.

Article II BOARD OF DIRECTORS

This Article describes the Board of Directors including the number of people who will serve on the Board, their term of office and how they are elected. This Article also establishes the powers and duties of the Board and limits on the Board's powers.

***Start Up of LARMAC.** After LARMAC is incorporated, it will be governed by a Board of Directors composed of three persons appointed by the incorporator of LARMAC. Within one year after the first Close of Escrow in the Covered Property, an election of Directors will be held. At this first election, the Board of Directors will automatically expand to five positions. All of these positions will be available to be filled in the election. The persons originally appointed as Directors by the incorporator may be re-elected to the Board or new persons may be elected.*

***Long Term Operations.** Directors' terms of office are staggered. At the first election, the three persons receiving the highest number of votes will be elected to serve for three-year terms.*

The two persons receiving the next highest number of votes will be elected to serve for two-year terms. At subsequent elections, new Directors will be elected to replace Directors whose terms are ending. These new Directors will serve three-year terms. The expected result of this system is that either two or three positions on the Board are open to be filled at each election.

2.1 NUMBER. Until the first election of Directors, LARMAC's property, business and affairs shall be governed and managed by a Board of Directors composed of three (3) persons. Beginning with the first election of Directors, the property, business and affairs of LARMAC shall be governed and managed by a Board of Directors composed of five (5) persons. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws.

2.2 QUALIFICATIONS.

2.2.1 Qualifications for Nomination. Anyone nominated to serve as a Director must be a person who is one of the following:

(a) An Owner or agent of an Owner of a Lot or Condominium in the Residential Area who is not an officer or director of a Subordinate Corporation or LARCS, or

(b) An Owner or agent of an Owner of a Lot in any area of the Covered Property that is not a part of the Residential Area, or

(c) An agent of Declarant or an agent of a Neighborhood Builder for so long as Declarant or a Neighborhood Builder owns or has a Mortgage interest in either (i) a Lot or Condominium in the Covered Property, or (ii) any portion of the Annexable Area.

2.2.2 Qualifications for Holding Office. Directors are encouraged to satisfy the following requirements while they serve in office:

(a) Not be absent from three (3) consecutive meetings of the Board;

(b) Attend at least seventy-five percent (75%) of the Board meetings held each year and attend the entire meeting each time;

(c) Exhibit respect, professionalism and courteous behavior to Owners, committee members, vendors, the Community Manager and its staff, and any other Persons involved with LARMAC;

(d) Be a Member in good standing or agent of a Member in good standing; and

(e) Participate in education programs provided to the Directors by LARMAC.

2.3 TERM OF OFFICE. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of the three (3) Directors receiving the highest number of votes at the first election shall be three (3) years and the term of office of the two (2) Directors receiving the next highest number of votes at the first election shall be two (2) years. Thereafter, new Directors shall be elected or appointed to fill any vacancies. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be three (3) years. The term of office of each Director elected or appointed to fill a vacancy created for any other reason shall be the balance of the unserved term of the Director’s predecessor. Any Director may be reelected. There is no limit on the number of terms which a Director may serve.

2.4 ELECTIONS. *Directors will be elected using the following procedure. First, the Nominating Committee will solicit nominations of candidates for the Board positions and generate a Slate of Candidates. The Slate of Candidates will be distributed to the Members along with forms of proxies to complete. The Neighborhood Representatives will attend the election meeting and cast the Members’ votes in accordance with the directions provided by the Members in their proxies. Cumulative voting will be used in all elections.*

The following is a time line showing the days for performing various tasks to be completed in connection with the first election of Directors.

↓ 50 - 120 days before meeting	↓ after close of nominations	↓ 10 - 90 days before meeting	↓ 10 - 90 days before meeting	↓ 0 - 60 days before meeting	↓ first election of Directors held
<i>close of nominations</i>	<i>slate of candidates generated</i>	<i>record date set for Members entitled to receive notice of Election Meeting</i>	<i>Members sent notice of meeting, Slate of Candidates and proxy for election</i>	<i>record date for voting set</i>	<i>within one year after first Close of Escrow in the Covered Property</i>

2.4.1 Nomination Procedure. The Nominating Committee, acting at the Board’s direction, will seek volunteers to run for office. The Board may establish nomination procedures and reasonable time frames for receiving nominations in the Community Guidelines. The date set for close of nominations must be not less than fifty (50) nor more than one hundred twenty (120) days before the date of the Directors election (the “Election Meeting”). No nominations for the Board can be made after the date set for the close of nominations. A slate of candidates (“Slate of Candidates”) must be prepared and distributed to the Members based on the nominations that comply with the nomination guidelines established by the Board. If more qualified people are nominated than there are positions to be filled, an election

shall be held in accordance with the procedure established in this Section 2.4. If, after the close of nominations, the number of qualified people nominated for the Board is not more than the number of positions to be filled, LARMAC may, without further action, declare those nominated and qualified to be elected.

2.4.2 Election Meeting. The Board of Directors shall set the date for each Election Meeting. The date for the first Election Meeting must be set within one (1) year after the first Close of Escrow in the Covered Property. Each subsequent Election Meeting must be held within the sixty (60) days preceding the date on which any Director's term of office will expire. Notice of the date of each Election Meeting must be distributed to the Members no less than ten (10) nor more than ninety (90) days before the date of the Election Meeting. The quorum for Election Meetings is twenty-five percent (25%) of the voting power of LARMAC. Each Neighborhood Representative who attends an Election Meeting represents all Members in his Neighborhood for purposes of establishing a quorum. The Board may establish additional procedures for holding Election Meetings in the Community Guidelines.

2.4.3 Record Dates. The Board may fix a date as a record date for determining Members entitled to notice of each Election Meeting. The record date so fixed must be not more than ninety (90) nor less than ten (10) days before the date of the Election Meeting. If the Board does not fix a record date, the record date is the close of business on the business day preceding the day on which notice is given. The Board may also fix a date as a record date for determining Members entitled to vote at the Election Meeting. The record date so fixed must be not more than sixty (60) days before the date of the Election Meeting. If the Board does not fix a record date, the record date is the day on which the Election Meeting is held.

2.4.4 Collection of Proxies. The Board shall deliver forms of proxies to all Members listing the Slate of Candidates and identifying the applicable Neighborhood Representative as the person authorized to exercise the proxy. All proxies must be in writing. Every proxy is revocable and automatically ceases after completion of the Election Meeting for which the proxy was provided. Any form of proxy distributed must afford the opportunity to choose among all candidates listed on the Slate of Candidates. The proxy must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the length of time it will be valid.

2.4.5 Cumulative Voting. Cumulative voting must be used in the election of Directors for any election in which two (2) or more Directors are to be elected. To cumulate votes, Members may cast a number of votes equal to the Member's share of the voting power multiplied by the number of Directors to be elected.

2.4.6 Voting Reports. To verify compliance with the voting requirements of this Section 2.4, the Board may require each person exercising proxy rights to execute a certificate providing the following information: (i) the total number of

Class A and/or Class B votes represented by such person; and (ii) the total number of Class A and/or Class B votes which are cast for individual candidates. The Board may establish rules for verifying the certificates and proxy rights in the Community Guidelines.

2.4.7 Special Election Requirement. So long as either (a) Declarant or any Neighborhood Builder is entitled to exercise a Class B or Class C vote, or (b) Declarant and all Neighborhood Builders collectively are entitled to exercise a majority of LARMAC's voting power, not less than twenty percent (20%) of the members of the Board must be elected solely by the votes of Members other than Declarant and the Neighborhood Builders.

2.5 REPLACEMENT MEETINGS. If a vacancy in the Board of Directors exists, a replacement Director may be elected at a "Replacement Meeting." The procedure for calling and holding a Replacement Meeting shall be the same as that for an Election Meeting, subject to the following modifications. The Board shall call a Replacement Meeting (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of LARMAC, or (c) upon receipt of a petition signed by Members holding at least five percent (5%) of LARMAC's voting power. The Secretary shall give notice of any Replacement Meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time, place and purpose of the Replacement Meeting. The Replacement Meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at the Replacement Meeting except as stated in the notice. The quorum for Replacement Meetings is twenty-five percent (25%) of the voting power of LARMAC. The Board may establish procedures for identifying a Slate of Candidates and collecting proxies for Replacement Meetings in the Community Guidelines. The Board may establish record dates for receipt of notice of Replacement Meetings and for voting at Replacement Meetings within time frames comparable to those for Election Meetings.

2.6 VACANCIES. Until termination of the Class C Membership, a vacancy in the office of a Director who was appointed by the Class C Member shall be filled only by an appointee of the Class C Member. Any vacancies on the Board caused by removal of a Director or by a vote of the Members must be filled by the Members in an Election Meeting or a Replacement Meeting. All other vacancies on the Board caused by any other reason may be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum. A Director may resign at any time by giving written notice to the President, the Secretary or the Board. Any such resignation is effective on the date of receipt of such notice or at any later time specified in the resignation notice. Unless specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective. If a Director's resignation is effective at a later time, the Board may elect a successor to take office as of the date when the resignation becomes effective. A vacancy or vacancies on the Board shall exist on the occurrence of the following: (a) the death or resignation of any Director; (b) the declaration by resolution of the Board of a vacancy in the office of a Director who has been declared of unsound mind by an order of court, convicted of a felony or found by a final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit

Corporation Law; (c) the increase of the authorized number of Directors; (d) the failure at any Election Meeting or Replacement Meeting to elect the number of Directors required to be elected at such meeting; or (e) the occurrence of any other events resulting in a vacancy as provided under the California Nonprofit Corporation Law. Any vacancy not filled by the Directors may be filled at an Election Meeting or Replacement Meeting.

2.7 REMOVAL OF DIRECTORS. Any Director or the entire Board may be removed before the expiration of their terms of office with or without cause as follows: (i) for so long as fewer than fifty (50) Lots or Condominiums are included within the Covered Property, by Members holding a majority of LARMAC’s voting power (including votes attributable to Declarant and the Neighborhood Builders), and (ii) once fifty (50) or more Lots or Condominiums are included within the Covered Property, by a majority of a quorum of the Members. However, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director’s most recent election were then being elected. Any Director whose removal has been proposed must be given an opportunity to be heard. Any Director who has been elected to office solely by the votes attributable to Members other than Declarant or the Neighborhood Builders may be removed from office before the expiration of his term of office only by the votes attributable to Members holding at least a simple majority of LARMAC’s voting power, excluding votes attributable to Declarant and the Neighborhood Builders. Any Director who has been elected to office solely by the votes of the Class C Member may be removed from office before the expiration of his term of office only by the votes of the Class C Member.

2.8 GENERAL POWERS AND DUTIES. The Board has the powers and duties necessary to conduct, manage and control LARMAC’s affairs. All of LARMAC’s powers, including those enumerated in Sections 3.2 and 3.3 of the Master Declaration, shall be exercised by its Board of Directors except those powers (i) reserved in specific provisions of the Articles, these Bylaws, the Master Declaration or any Supplemental Declaration, to the Members, Neighborhood Representatives, Covenant Committee or Aesthetics Review Committee or (ii) delegated by the Board pursuant to Section 2.9.8. All powers and duties of the Board shall be exercised in accordance with the standards established in Section 3.8.1 of the Master Declaration.

<i>Board Powers and Duties</i>	
<i>Generally, the Board can exercise all powers of LARMAC that are not reserved exclusively to the Neighborhood Representatives and/or the Members. The Board is also granted the following specific powers and duties:</i>	
<ul style="list-style-type: none"> · <i>Select and remove officers, agents and employees</i> · <i>Contract for services and maintenance</i> · <i>Conduct, manage and control LARMAC</i> 	<ul style="list-style-type: none"> · <i>Appoint Neighborhood Representatives or alternates if Neighborhoods fail to elect them</i> · <i>Change principal office, set meeting locations, adopt corporate seal</i> · <i>Fix and levy assessments</i>

- | | |
|---|--|
| · <i>Enforce the LARMAC Governing Documents</i> | · <i>Contract and pay for insurance</i> |
| · <i>Delegate duties</i> | · <i>Adopt the Bylaws</i> |
| · <i>Grant certain easements or licenses</i> | · <i>Sell a portion of the LARMAC Property (see Section 2.9.12 of these Bylaws)</i> |
| · <i>Keep records of LARMAC affairs</i> | · <i>Enter into subsidy or maintenance agreements</i> |
| · <i>Retain a Community Manager</i> | · <i>Appoint members of the Aesthetics Review Committee and Covenant Committee and create a Nominating Committee or other Committees the Board deems appropriate</i> |

2.9 SPECIAL POWERS AND DUTIES. Without limiting the scope of the Board’s general powers and duties, the Board is also granted the following powers and duties:

2.9.1 Officers, Agents and Employees. The power and duty to select, appoint and remove all LARMAC officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the LARMAC Governing Documents, to fix their compensation, to require from them security for faithful service when the Board deems advisable, and to contract to provide them with such indemnification from LARMAC as the Board determines is appropriate.

2.9.2 Neighborhood Representatives. The power granted in Section 4.3.4 to appoint Neighborhood Representative or alternates when Members fail to elect them along with the power granted in Section 4.6.3 to remove Neighborhood Representatives or alternates who fail to perform their duties.

2.9.3 Contracts. The power to enter into contracts. This includes the power and duty to contract and pay for maintenance, landscaping, utilities, materials, supplies and services relating to the LARMAC Property, to retain Persons necessary to operate the Covered Property, including legal and accounting services, to contract and pay for Improvements on the LARMAC Property, and to contract to provide services to areas outside of the Covered Property when the Board determines that LARMAC will be appropriately compensated and providing the services will not unreasonably burden LARMAC. However, the Board may not enter into any contract with a third Person wherein the third Person will furnish goods or services for the LARMAC Property or LARMAC without the vote or written consent of Neighborhood Representatives except for the following:

- (a) **Terminable Agreements.** Agreements that are terminable by LARMAC without cause, penalty or other obligation upon not more than ninety (90) days written notice,

(b) **Public Utilities.** A contract with a public utility company for a term that does not exceed the shortest term for which the public utility company will contract at the regulated rate if the rates charged for the materials or services are regulated by the California Public Utilities Commission,

(c) **Insurance.** Casualty or liability insurance policies of not more than three (3) years' duration provided that the policies permit short-term cancellation by LARMAC,

(d) **Communication Systems.** Agreements for television services, satellite dish services, communication services, highspeed data transfer, computer services, telephony and other technology and equipment with terms not in excess of ten (10) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%),

(e) **Alarms.** Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%),

(f) **Nonprofit Corporations and Local Governmental Agencies.** Agreements with any nonprofit corporations or Local Governmental Agencies,

(g) **Contingency Agreements.** Agreements in which LARMAC enters into litigation or any alternative dispute resolution procedure when LARMAC's obligation to pay for services is set in whole or in part on a contingency basis only if (i) the agreement is for collection of assessments or other accounts receivable, (ii) the agreement involves evaluation of services, or (iii) the total amount to be paid by LARMAC under the agreement is not in excess of Forty Thousand Dollars (\$40,000.00), and

(h) **DRE Approval.** Agreements approved by the DRE.

2.9.4 Principal Office, Place of Meetings, Seal. The power but not the duty to change LARMAC's principal office from one location to another within Orange County; to designate any place within Orange County for meetings of Members or Neighborhood Representatives; to adopt and use a corporate seal and to alter the form of such seal.

2.9.5 Assessments. The power and duty to fix, levy and collect Assessments, as provided in the Master Declaration. Subject to any limits imposed by the LARMAC Governing Documents, the Board may incur expenditures for any permitted purpose and accumulate reserves. The funds collected by the Board from the Members for reserves, maintenance recurring less frequently than annually, and capital improvements, is at all times held in trust for the Members. Disbursements from reserve funds may only be made in accordance with the Master Declaration.

2.9.6 Enforcement. The power to enforce the LARMAC Governing Documents and any agreements entered into by LARMAC and to impose sanctions against members for violations of the LARMAC Governing Documents.

2.9.7 Insurance. The power and duty to contract and pay for insurance in accordance with the Master Declaration.

2.9.8 Delegation. The power but not the duty to delegate its powers according to law.

2.9.9 LARMAC Governing Documents. The power to adopt these Bylaws and amend these Bylaws as authorized in Section 7.1 along with the power to adopt, amend or restate such other LARMAC Governing Documents as authorized in the Master Declaration or any Supplemental Declaration.

2.9.10 Conveyances. The power but not the duty to grant or quitclaim exclusive or nonexclusive easements, licenses or rights of way in, on, or over the LARMAC Property for purposes consistent with the intended use of the Covered Property as a master planned community.

2.9.11 Records. The power and duty to keep, or cause to be kept, a complete record of LARMAC acts and corporate affairs.

2.9.12 Sale of Property. The power but not the duty to sell property of LARMAC; provided, however, that Neighborhood Representatives holding at least a majority of the voting power of LARMAC must approve any sale during any Fiscal Year of LARMAC property having an aggregate fair market value greater than five percent (5%) of LARMAC's budgeted gross expenses for that Fiscal Year.

2.9.13 Agreements with Declarant or Neighborhood Builders. The power but not the duty to negotiate and enter into subsidy agreements or maintenance agreements with Declarant and Neighborhood Builders approved by the DRE.

2.9.14 Community Manager. The power to engage a Community Manager for LARMAC at a compensation established by the Board to fulfill such duties and provide such services as the Board authorizes.

2.10 BOOKS, AUDIT. The Board shall distribute the following financial information to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request). The financial information required by Sections 2.10.1 and 2.10.2 should be prepared separately for each Special Benefit Area and the General Assessment Component of Common Assessments.

2.10.1 Budget. A pro forma operating budget for each Fiscal Year consisting of at least the following information must be distributed not less than forty-five (45) nor more than sixty (60) days before the beginning of the Fiscal Year:

(a) The estimated revenue and Common Expenses computed on an accrual basis.

(b) A summary of LARMAC's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code, which must be printed in bold type and include all of the following:

The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of an Improvement on the LARMAC Property.

As of the end of the Fiscal Year for which the study is prepared:

The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components of the LARMAC Property for which LARMAC is responsible ("Estimated Reserves").

The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the major components of the LARMAC Property for which LARMAC is responsible ("Actual Reserves").

The percentage that the Actual Reserves is of the Estimated Reserves.

(c) A statement as to whether the Board has determined or anticipated that the levy of one or more Capital Improvement, Extraordinary Assessment or Reconstruction Assessments will be required to repair, replace, or restore any major component of the LARMAC Property for which LARMAC is responsible or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the costs of repair and replacement of, or additions to, major components of the LARMAC Property and facilities for which LARMAC is responsible.

The Board may distribute a summary of the Budget in lieu of the Budget itself, so long as the Board complies with the provisions of Section 1365(c) of the California Civil Code.

2.10.2 Financial Report. A report consisting of the following must be distributed within one hundred twenty (120) days after the close of the Fiscal Year:

- (a) A balance sheet as of the end of the Fiscal Year.
- (b) An operating (income) statement for the Fiscal Year.
- (c) A statement of changes in financial position for the Fiscal Year.
- (d) Any information required to be reported under Section 6322 of the California Corporations Code.
- (e) For any Fiscal Year in which LARMAC's gross income exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(f) A statement of the place where the names and addresses of the Members are located.

If the report referred to in this Section 2.10.2 is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized LARMAC officer stating that the report was prepared from LARMAC's books and records without independent audit or review.

2.10.3 Insurance Information. LARMAC shall distribute to all of its Members a summary of LARMAC's property, general liability, and earthquake and flood insurance policies, if any, which shall be distributed within sixty (60) days preceding the beginning of LARMAC's fiscal year, that includes all of the following about each policy: (i) the name of the insurer, (ii) the type of insurance, (iii) the policy limits of the insurance, and (iv) the amount of deductibles, if any.

(a) LARMAC shall, as soon as reasonably practical, notify its Members in the manner required by applicable law if any of the policies

described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If LARMAC receives any notice of nonrenewal of a policy described above, LARMAC shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, LARMAC may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members.

(c) The summary distributed above shall contain, in at least 10-point boldface type, the statement required by Section 1365 of the California Civil Code.

2.10.4 Enforcement Policies. In addition to financial statements, the Board shall annually distribute within sixty (60) days before the beginning of the Fiscal Year a statement of LARMAC's policies and practices in enforcing its remedies against Members for defaults in the payment of Assessments, including the recording and foreclosing of liens against Residences.

2.10.5 Reconciliations. The Board shall do the following on at least a quarterly basis: (1) cause to be completed and review a current reconciliation of LARMAC's operating and reserve accounts, (2) review the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (3) review the income and expense statement for LARMAC's operating and reserve accounts, and (4) review the most current account statements prepared by the financial institutions where LARMAC maintains its operating and reserve accounts. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) LARMAC officer (who is not also a Director) are required for withdrawal of money from LARMAC's reserve accounts. As used in this paragraph, the term "reserve accounts" means money that the Board has identified from its Budget for use to defray the expense of future repair and replacement of, or additions to, those major components which LARMAC is obligated to maintain.

2.10.6 Reserve Study. The Board shall cause a study of the reserve account requirements and an inspection of the Covered Property to be conducted in accordance with Section 1365.5(e) of the California Civil Code. As used in this paragraph, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components of the LARMAC Property which LARMAC is obligated to maintain.

2.11 COMPENSATION. Directors may not receive any salary or compensation for their services as Directors unless such compensation is approved by Neighborhood Representatives holding at least a majority of the voting power of LARMAC; provided, however, that (i) nothing in these Bylaws precludes any Director from serving LARMAC in some other capacity and receiving compensation therefor, (ii) any Director may be reimbursed for actual expenses incurred in performance of LARMAC duties, and (iii) no officer, employee or director of Declarant, a Neighborhood Builder or any affiliate of Declarant or a Neighborhood Builder may receive any compensation as a Director of LARMAC.

2.12 MEETINGS.

2.12.1 Attendance. Any meeting of the Board may be held by conference telephone or through use of any other communication equipment, so long as the requirements for attendance at a meeting through the selected method established by the California Corporations Code are met. In these cases, all Directors will be deemed to be present in person at the meeting.

2.12.2 Organization Meeting of Board. The first regular meeting of a newly elected Board (“Organization Meeting”) must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors when such Directors were elected at the Organization Meeting, the Directors shall organize, elect officers and transact other business. No notice is necessary to the newly elected Directors in order legally to constitute the Organization Meeting provided that (a) a majority of the whole Board is present when the time and place are announced and (b) the meeting is held on the same day and at the same place as the meeting of the Neighborhood Representatives at which the newly constituted Board was elected.

2.12.3 Regular Meetings of Board. Regular meetings of the Board must be open to all Members and Neighborhood Representatives to the extent of space available. Regular meetings may be held at such time and place within the Covered Property as is determined by a resolution adopted by the Board; provided, however, that such meetings must be held no less frequently than quarterly. Regular meetings of the Board may be held without notice to the Board if the time and place of such meetings are fixed by the Board. Otherwise, notice of regular meetings must be given in the manner required for special meetings of the Board by Section 2.12.4.

2.12.4 Special Meetings of Board. Special meetings may be called by the President or by any two (2) Directors upon four (4) days’ notice to Board members by first-class mail or forty-eight (48) hours’ notice to Board members delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. The notice must state the time, place and purpose of the meeting.

2.12.5 Executive Sessions. The Board may convene in executive session to discuss and vote upon personnel matters, litigation, matters relating to the formation of contracts with third parties, or Member discipline. The nature of any business to be considered in executive session must first be announced in an open session and must be generally noted in the minutes of the Board. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member. The Member may attend the executive session.

2.12.6 Other Meetings of the Board. Any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session, shall constitute a meeting of the Board. All Members and Neighborhood Representatives shall have the right to attend any regular, special or other meeting of the Board to the extent of space available, except an executive session. Members who are not Directors may not participate in any deliberation or discussion at such meetings unless authorized by a vote of the Board. At each Board meeting, except for executive sessions, the Board must set aside time for Members to speak, subject to reasonable time limitations imposed by the Board.

2.12.7 Notice to Members. Members shall be given notice of the time and place of any meeting of the Board, except emergency meetings defined in this Section, at least four (4) days before the meeting. Notice required by this Section may be given by posting the notice in a prominent place or places within the LARMAC Property, by mail or delivery of the notice to each Residence in the Covered Property, or by newsletter or other similar means of communication. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it not practical to provide notice to the Members, then an emergency meeting of the Board may be called by the President or any two (2) other members of the Board without providing notice to the Members.

2.12.8 Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting and such waiver is equivalent to giving notice to such Director. Attendance by a Director at any Board meeting waives personal notice of the time and place of the meeting. If all the Directors are present at any Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed or wherever held, are valid as if they occurred at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Members of such meeting was provided if required by Section 2.12.7, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes of the meeting. The Secretary shall file all waivers, consents and approvals with LARMAC's records or make them a part of the minutes of the meeting.

2.13 ACTION WITHOUT MEETING. The Board may act without a meeting if all Directors consent in writing to such action. Written consents must be filed with the minutes of the proceedings of the Board. Action by written consent has the same effect as a unanimous vote of the Directors. Within three (3) days after the written consents of all Directors have been obtained, an explanation of any action taken by unanimous written consent without a meeting must be either (a) posted by the Board in a prominent place or places in the LARMAC Property, or (b) communicated to the Members by another means the Board determines is appropriate.

2.14 QUORUM AND ADJOURNMENT. Except as otherwise expressly provided in these Bylaws, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

2.15 COMMITTEES.

2.15.1 Generally. The Board may, by resolution, designate such advisory and other committees as it desires, and may establish the purposes and powers of each such committee. The resolution designating and establishing the committee must (a) provide for appointment of its members and a chairman, (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters the Board deems appropriate. All committees are required to keep minutes of their meetings. Committee meeting minutes shall be maintained at LARMAC's principal office or at such other place as the Board may designate.

2.15.2 Nominating Committee. The Board may form a Nominating Committee to solicit volunteers to serve as Neighborhood Representatives and alternates, serve as Board members or fill other LARMAC positions. At the Board's direction, the Nominating Committee will also be responsible for assisting candidates for LARMAC offices in becoming familiar with their potential duties and responsibilities. The Nominating Committee may, at the Board's request, assist in preparing and distributing election materials. Any member of the Board and any Owner in the Covered Property may serve on the Nominating Committee. If a Nominating Committee is not formed, the Board shall perform the duties of the Nominating Committee.

2.15.3 Special Benefit Area Committee. The Board may delegate certain duties involving managing any Special Benefit Area to a committee composed of the Neighborhood Representatives for Neighborhoods within the Special Benefit Area. The Board may make the committee responsible for oversight of all aspects of operation of the Special Benefit Area including preparing all financial information and contracting for services for the Special

Benefit Area. The Board, at its option, may assign a representative of the Community Manager to act as the Special Benefit Area manager and assist the committee in performing its duties. The Board may also establish an advisory committee of Owners for the Special Benefit Area. The scope of the powers of the committee, procedures for operation and any other rules needed to operate the committee may be established by the Board in the Community Guidelines.

Article III OFFICERS

This Article describes the responsibilities of the different officers of LARMAC. Officers of LARMAC are elected annually by the Board of Directors and serve at the pleasure of the Board.

3.1 DESIGNATION. LARMAC's principal officers are a President, a Vice President, a Secretary, and a Chief Financial Officer, all elected by the Board. The Board may appoint an Assistant Financial Officer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any person may hold more than one office except one person cannot be both the Secretary and the Chief Financial Officer. Except for Declarant and Neighborhood Builder representatives, anyone serving as either a Subordinate Corporation or LARCS board member or officer cannot be a LARMAC officer.

3.2 ELECTION OF OFFICERS. The Board shall annually elect LARMAC's officers at the new Board's Organization Meeting. Each officer shall hold his office at the pleasure of the Board, until he resigns, is removed, is otherwise disqualified to serve, or his successor is elected and qualified to serve.

3.3 REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the Board at a meeting, any officer may be removed, either with or without cause, and his successor elected. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of the resignation or at any later time specified in the resignation. Unless specified in the resignation, acceptance of the resignation by the Board is not necessary to make it effective.

3.4 COMPENSATION. Officers may not receive any salary or compensation for their services as officers unless such compensation is approved by Neighborhood Representatives holding at least a majority of the voting power of LARMAC; provided, however, that (i) nothing in these Bylaws precludes any officer from serving LARMAC in some other capacity and receiving compensation therefor, (ii) any officer may be reimbursed for actual expenses incurred in the performance of LARMAC duties, and (iii) no officer, employee or director of Declarant, a Neighborhood Builder or any affiliate of Declarant or Neighborhood Builder may receive any compensation for service as an officer of LARMAC.

3.5 PRESIDENT. The President is the chief executive officer of LARMAC and is responsible for the following:

3.5.1 Meetings. Presiding at all LARMAC, Neighborhood Representative and Board meetings,

3.5.2 General Powers. Exercising all general powers and duties which are usually vested in the office of the President of a corporation, including the power to appoint committees from among the Members,

3.5.3 Supervision. Subject to the control of the Board, exercising general supervision, direction and control of LARMAC's business, and

3.5.4 Other Powers. Exercising such other powers and duties as may be prescribed by the Board or these Bylaws.

3.6 VICE PRESIDENT. The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as prescribed by the Board or these Bylaws.

3.7 SECRETARY. The Secretary is responsible for the following:

3.7.1 Minutes. Ensuring minutes of all meetings of the Board, Neighborhood Representative meetings and LARMAC committee meetings are taken and maintained at LARMAC's principal office or such other place as the Board may direct,

3.7.2 The Seal. Keeping LARMAC's seal in safe custody,

3.7.3 Other LARMAC Documents. Keeping charge of such books and papers as the Board may direct,

3.7.4 Notices of Meetings. Giving, or causing to be given, notices of meetings of the Members, Neighborhood Representatives and of the Board,

3.7.5 Membership Register. Maintaining or causing to be maintained a record book of Members, listing the names, mailing addresses, e-mail addresses, and telephone numbers of the Members as furnished to LARMAC ("Membership Register") and recording or causing to be recorded the termination or transfer of ownership by any Member in the Membership Register, together with the date of the transfer, and

3.7.6 Miscellaneous. In general, performing all duties incident to the office of Secretary, and performing such other duties as prescribed by the Board or these Bylaws.

3.8 CHIEF FINANCIAL OFFICER. The Chief Financial Officer is responsible for LARMAC funds. The Chief Financial Officer is responsible for the following:

3.8.1 Books of Account. Keeping, or causing to be kept, full and accurate accounts, tax records and records of business transactions of LARMAC, including accounts of all assets, liabilities, receipts and disbursements in books belonging to LARMAC,

3.8.2 Valuables. Being responsible for the deposit of all money and other valuable effects in the name and to the credit of LARMAC in such depositories as the Board designates,

3.8.3 Disbursements. Disbursing LARMAC's funds as ordered by the Board,

3.8.4 Accounting. Rendering to the President and Directors, upon request, an account of all transactions and of LARMAC's financial condition, and

3.8.5 Other Powers. Exercising such other powers and performing such other duties prescribed by the Board or these Bylaws.

Article IV NEIGHBORHOOD REPRESENTATIVES

Each Neighborhood is assigned a Neighborhood Representative to represent the Members when voting on certain issues. This Article describes the duties of the Neighborhood Representatives, establishes the procedures for the Members to use when electing their Neighborhood Representatives, and establishes the procedures Neighborhood Representatives must follow when they must vote on issues. (For Neighborhood Representatives' participation in elections of Directors, see Section 2.4). Each Neighborhood Representative is entitled to cast the number of votes equal to the number of votes assigned to the Members the Neighborhood Representative represents. For example, if the Neighborhood Representative represents a Neighborhood composed of forty Residences, all owned by Persons who are not the Declarant or the Neighborhood Builders, the Neighborhood Representative will have forty votes. The Declarant and Neighborhood Builders will have their own representative, called the "Declarant's Neighborhood Representative" who will be appointed by the Declarant and entitled to cast all votes held by the Declarant and the Neighborhood Builders.

Neighborhood Representative Responsibilities:

- *Attend Neighborhood Representative Meetings*
- *Cooperate with the LARMAC Board*
- *Publicize Social Events*
- *Inform Members of Actions*
- *Assist Nominating Committee*
- *Coordinate Member Votes*

4.1 POWERS AND DUTIES. Neighborhood Representatives shall have the following powers and duties:

4.1.1 Attend Neighborhood Representative Meetings. The duty to regularly attend meetings of the Neighborhood Representatives and participate in all votes of the Neighborhood Representatives.

4.1.2 Neighborhood Meetings. The duty to preside over meetings of their Neighborhoods.

4.1.3 Special Benefit Areas. The duty to participate in the operation of the Special Benefit Areas as required by the Board.

4.1.4 Cooperation with the LARMAC Board. The duty to cooperate with the LARMAC Board to distribute information to Members and, when requested, assist in distributing and collecting ballots or proxies of the Members.

4.1.5 Publicizing Social Events. The duty to assist in publicizing social events at the request of the Board.

4.1.6 Inform Members. The duty to promptly inform Members the Neighborhood Representative represents of proposed and final actions of the Neighborhood Representatives.

4.1.7 Assist Nominating Committee. The duty to assist the Nominating Committee and the Board in the search for volunteer replacement Directors, Neighborhood Representatives and alternates or committee members.

4.1.8 Coordinate Member Votes. The duty to collect Member proxies when Directors are to be elected or removed and perform such other duties in connection with Director elections as are assigned by the Board.

4.1.9 Additional Duties. The duty to fulfill such other duties as are assigned to the Neighborhood Representatives by the Board.

4.1.10 Limits on Powers and Duties. Neighborhood Representatives shall not have any powers and duties except those described in this Section 4.1.

4.2 QUALIFICATION.

4.2.1 Qualifications for Nomination. Anyone nominated to serve as a Neighborhood Representative or alternate must be a person who is one of the following:

(a) An Owner or agent of an Owner of a Lot or Condominium in the Neighborhood the person wishes to represent who is not a LARMAC Board member, or

(b) An agent of Declarant or an agent of a Neighborhood Builder for so long as Declarant or a Neighborhood Builder owns or has a Mortgage interest in (i) a Lot or Condominium in the Covered Property, or (ii) any portion of the Annexable Area.

4.2.2 Qualifications for Holding Office. Neighborhood Representatives are encouraged to satisfy the following requirements while they serve in office:

(a) Not be absent from three (3) consecutive meetings of the Neighborhood Representatives;

(b) Attend at least seventy-five percent (75%) of the Neighborhood Representative meetings held each year and attend the entire meeting.

(c) Exhibit respect, professionalism and courteous behavior to Owners, committee members, vendors, the Community Manager and its staff, and any other Persons involved with LARMAC.

(d) Be a Member in good standing or agent of a Member in good standing.

(e) Participate in education programs provided to the Neighborhood Representatives by LARMAC.

The following chart shows the schedule for selecting Neighborhood Representatives in Neighborhoods without Neighborhood Corporations. Neighborhood Representatives can be elected by vote at a meeting of the Neighborhood or by written ballot.

↓ <i>10 - 60 days before meeting</i>	↓ <i>10 - 60 days before meeting</i>	↓ <i>10 - 30 days before meeting</i>	↓ <i>Date set by Board</i>	↓ <i>within 6 months after first Close of Escrow in a Neighborhood</i>
<i>set record date for Members receiving notice of meeting (not applicable if vote is by written ballot)</i>	<i>set record date for Members entitled to vote</i>	<i>notice of meeting sent out (not applicable if vote is by written ballot)</i>	<i>ballot sent out (not applicable if vote is at meeting)</i>	<i>select Neighborhood Representative and alternate by written ballot or at a meeting</i>

4.3 SELECTION. Each Neighborhood defined in the Master Declaration and Supplemental Declarations shall be represented by a Neighborhood Representative and an alternate Neighborhood Representative. The Neighborhood Representatives and alternates shall be selected as follows:

4.3.1 Selection of First Neighborhood Representative and Alternate.

The first Neighborhood Representative and alternate for each Neighborhood must be selected within six (6) months after the first Close of Escrow in the Neighborhood.

4.3.2 Neighborhood Corporations. Where all Residences subject to a Neighborhood Declaration also comprise all of the Residences in a Neighborhood, the president of the Neighborhood Corporation created pursuant to that Neighborhood Declaration shall be the Neighborhood Representative. The board of directors of the Neighborhood Corporation shall appoint one of the board members as the alternate Neighborhood Representative.

4.3.3 Neighborhoods Without Neighborhood Corporations.

(a) **General Procedure.** In Neighborhoods that are not composed of Residences under the jurisdiction of a single Neighborhood Corporation, the Neighborhood Representative and alternate shall be selected in an election set by the Board of Directors. The election may be held at a meeting of the Neighborhood or by written ballot as determined by the Board. The Board of Directors or the Nominating Committee will solicit applications from Members in the Neighborhood to serve as the Neighborhood Representative for a period ending at least thirty (30) days before the date of the Neighborhood Representative election. If, after the close of nominations, only one person is nominated as the Neighborhood Representative, LARMAC may, without further action, declare that the person who was nominated and qualified to be elected has been elected.

(b) **Quorum and Approval.** At least twenty percent (20%) of the voting power in the Neighborhood holding the election must cast votes for the election to be valid. If the election is valid, the person receiving the highest number of votes will be the Neighborhood Representative and the person receiving the second highest number of votes will be the alternate Neighborhood Representative.

4.3.4 Neighborhoods That Do Not Have Neighborhood Representatives or Alternates.

(A) **Appointment of Neighborhood Representative for General Purposes.** Except for matters described in Section 4.3.4(B) below, if, for any reason, a Neighborhood does not have a Neighborhood Representative or an alternate, the Board shall have the power to appoint a qualified person to fill the position. At the Board's request, the Nominating Committee will seek volunteers to fill the position. Notices of all appointments must be distributed to the Members in the affected Neighborhoods within no more than sixty (60) days after the date of the appointment.

(B) **Appointment of Temporary Neighborhood Representative for Election of LARMAC and LARCS Directors.** If, for any reason, a Neighborhood does not have a Neighborhood Representative, nor an alternate, or the designated Neighborhood Representative and alternate fail to be present in person at an Election Meeting or Selection Meeting, as that term is defined in Section 5.2.3. herein, the Board shall have the power to appoint a person to act as a temporary neighborhood representative ("Temporary Neighborhood Representative"). A Temporary Neighborhood Representative shall have the limited power to exercise the limited authority of a Neighborhood Representative, once quorum is established, for the purpose of casting ballots as designated by Member proxies for the particular Election Meeting or Selection Meeting for which the Temporary Neighborhood Representative is appointed. A person appointed as a Temporary Neighborhood Representative by the Board need not meet the qualifications for a Neighborhood Representative described herein, but shall be an Owner or an agent of the Owner or an officer of LARMAC. A Temporary Neighborhood Representative shall not be a candidate for a director position of LARMAC or LARCS, or a relative of a candidate. Notices of all appointments must be distributed to the Members in the affected Neighborhoods within sixty (60) days after the date of the appointment.

4.3.5 Declarant's Neighborhood Representative. Declarant is entitled to appoint one (1) Neighborhood Representative ("Declarant's Neighborhood Representative") to represent Declarant and the Neighborhood Builders at all meetings of the Neighborhood Representatives and to cast all of the Class A and Class B votes which Declarant and the Neighborhood Builders are entitled to cast. At any time, Declarant may change the person which it has

appointed to serve as Declarant's Neighborhood Representative and may also designate an alternate Declarant's Neighborhood Representative. Declarant must give written notice to the Board before any such appointment or change in appointment is effective.

4.4 TERM OF OFFICE. *There are two types of Neighborhood Representatives: those who represent Neighborhoods without Neighborhood Corporations and those who represent Neighborhoods with Neighborhood Corporations. In Neighborhoods without Neighborhood Corporations, the first Neighborhood Representative's term of office is set in the Supplemental Declaration adding that Neighborhood to the Covered Property. After the first Neighborhood Representative serves his term, the following Neighborhood Representatives will serve three-year terms. For each Neighborhood with a Neighborhood Corporation, the Neighborhood Representative is the President of the Neighborhood Corporation so his term will be the same as his term of office as President. The same rules apply to terms of office for alternate Neighborhood Representatives. The Declarant's Neighborhood Representative's term of office is indefinite. He will serve until either the Declarant appoints a replacement or the Declarant's right to have the Declarant's Neighborhood Representative expires.*

4.4.1 Generally. Neighborhood Representatives and alternates may serve consecutive terms. There is no maximum limit on the number of terms a person can serve as a Neighborhood Representative or alternate.

4.4.2 Neighborhoods with Neighborhood Corporations. The term of office for each Neighborhood Representative and alternate representing a Neighborhood with a Neighborhood Corporation shall be coincident with such person's term of office as an officer or director of the Neighborhood Corporation.

4.4.3 Neighborhoods Without Neighborhood Corporations. The term of office of the first Neighborhood Representative and alternate selected pursuant to Section 4.3.3 will begin on the date the Neighborhood Representative and alternate are selected and terminate on the date set in the Supplemental Declaration that first identifies the Neighborhood. The term of office of all other Neighborhood Representatives and alternates selected pursuant to Section 4.3.3 shall be three (3) years.

4.5 VACANCIES. A vacancy in the office of a Neighborhood Representative shall exist on the occurrence of the following: (a) the death or written resignation of any Neighborhood Representative; (b) the declaration by resolution of the Board of a vacancy in the office of a Neighborhood Representative who has been declared of unsound mind by an order of court, convicted of a felony or found by a final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Corporation Law; (c) the failure of Members to elect a Neighborhood Representative; or (d) the occurrence of any other events resulting in a vacancy as provided under the California Nonprofit Corporation Law.

4.5.1 Vacancies in Neighborhoods with Neighborhood Corporations. Vacancies in the Neighborhood Representative position will be filled by the new

President of the Neighborhood Corporation. Vacancies in the alternate Neighborhood Representative position will be filled by the board of directors of the Neighborhood Corporation.

4.5.2 Vacancies in Other Neighborhoods. Vacancies occurring for any reason other than expiration of a Neighborhood Representative's term shall first be filled by the alternate Neighborhood Representative. If there is no alternate Neighborhood Representative, then the vacancy shall be filled pursuant to the procedures established in Section 4.3.4. If the alternate Neighborhood Representative becomes the Neighborhood Representative, a new alternate shall be selected in accordance with the procedures established in Section 4.3.4. Any person selected to fill a vacancy occurring before expiration of a term of office shall serve the remainder of the unexpired term of office of the predecessor Neighborhood Representative or alternate.

4.6 REMOVAL.

4.6.1 Neighborhoods with Neighborhood Corporations. An officer or director of a Neighborhood Corporation serving as a Neighborhood Representative or alternate is deemed removed concurrently with his or her removal as an officer or director of the Neighborhood Corporation.

4.6.2 Other Neighborhoods.

(a) Percentage of Member Approval Required.

Neighborhood Representatives and alternates selected pursuant to Sections 4.3.3 or 4.3.4 may be removed by the Members in their Neighborhoods before the expiration of their terms of office. At the first attempt to remove a Neighborhood Representative or alternate, the approval of the greater of (i) thirty percent (30%) of the voting power of the Members in the Neighborhood, or (ii) the majority of the voting power represented in the removal vote must be obtained to remove a Neighborhood Representative. At any subsequent attempt to remove a Neighborhood Representative or alternate during a single term, the approval of the greater of (i) forty percent (40%) of the voting power of the Members in the Neighborhood, or (ii) the majority of the voting power present represented in the removal vote must be obtained to remove a Neighborhood Representative.

(b) Procedure for Removal By Members. Members in a Neighborhood who wish to have a Neighborhood Representative or alternate removed must direct their requests to the Nominating Committee. At least five percent (5%) of the Members in a Neighborhood must sign a petition for removal before the Nominating Committee is required to hold a removal election. The removal election may be held at a meeting or by written ballot. If a removal election is held, the Neighborhood

Representative or alternate whose removal has been proposed must be given an opportunity to be heard. If the Neighborhood Representative or alternate is removed, a replacement may be elected at the same time. Any Neighborhood Representative or alternate who has been elected to office solely by the votes of Members other than Declarant and the Neighborhood Builders may be removed from office before the expiration of his term of office only by the vote of Members excluding Declarant and the Neighborhood Builders. The Board may establish additional procedures for removal elections in the Community Guidelines.

4.6.3 Removal by the LARMAC Board. The LARMAC Board has the power to remove any Neighborhood Representative who the LARMAC Board determines is not performing the duties of a Neighborhood Representative.

4.7 VOTING.

For a partial list of the issues to be voted on by Neighborhood Representatives, see the chart following Section 1.4 of these Bylaws.

4.7.1 Generally. Neighborhood Representatives must act personally at a meeting or by written ballot, and may not act by proxy. If a Neighborhood Representative is not present at a meeting of the Neighborhood Representatives, then the alternate for such absent Neighborhood Representative may attend the meeting and exercise all Neighborhood Representative powers. If the previously absent Neighborhood Representative arrives before the adjournment of a meeting, the alternate is no longer entitled to act in the place of such Neighborhood Representative; provided that such relinquishment of authority by the alternate does not invalidate any matter previously voted or acted upon by the alternate in his or her temporary capacity as Neighborhood Representative. Except as otherwise provided in these Bylaws, each Neighborhood Representative shall exercise his voting power as the Neighborhood Representative determines is appropriate. Declarant's Neighborhood Representative shall exercise all of the Class A and Class B voting power of Declarant and the Neighborhood Builders. All votes represented by Declarant's Neighborhood Representative shall be cast in the manner directed by Declarant. Any Class C vote shall be cast by Declarant.

4.7.2 Soliciting Member Views. When Neighborhood Representatives have notice in advance of a vote that will be taken, the Neighborhood Representatives shall solicit opinions from the Members they represent to identify the Members' views regarding the issue to be voted on. Within sixty (60) days after a vote is taken, the Board will announce the results of the vote and the way each Neighborhood Representative voted.

4.7.3 Quorum. The presence in person of Neighborhood Representatives representing at least a majority of LARMAC's voting power constitutes a quorum. The Neighborhood Representatives present at a duly called

or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Neighborhood Representatives to leave less than a quorum, if any action taken (other than adjournment) is approved by the votes required in Section 4.7.4 (or such greater percentage of Neighborhood Representatives as may be required by the LARMAC Governing Documents for any specific action).

4.7.4 Approval. If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter, is the act of the Neighborhood Representatives, unless the vote of a greater number or voting by classes is required by the LARMAC Governing Documents or applicable law. If, however, a meeting is actually attended by Neighborhood Representatives representing less than one-third (1/3) of the voting power of the Neighborhood Corporation, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the of the general nature of which was given pursuant to Section 4.8.5.

4.7.5 Specified Actions. Any provision of the LARMAC Governing Documents which requires approval of a majority of the voting power held by the Neighborhood Representatives before action may be undertaken requires approval of (a) a majority of the voting power of each class of Membership represented by the Neighborhood Representatives so long as a Class B Membership exists, and (b) both a majority of the voting power represented by the Neighborhood Representatives and a majority of the voting power of Neighborhood Representatives derived from Members other than Declarant and Neighborhood Builders.

4.7.6 Special Notice Requirements. Approval by the Neighborhood Representatives of any of the following proposals, other than by unanimous approval is not valid unless the general nature of the proposal was stated in the notice to the Neighborhood Representatives: (a) approving a contract or transaction between LARMAC and one or more Directors, or between LARMAC and any entity in which a Director has a material financial interest; or (b) electing to wind up and dissolve LARMAC.

4.8 MEETINGS.

4.8.1 Place of Meetings of Neighborhood Representatives. Meetings of the Neighborhood Representatives shall be held in the Covered Property or such other practical and convenient place as designated by LARMAC's Board.

4.8.2 Annual Meetings of Neighborhood Representatives. The Neighborhood Representatives shall gather once a year for an annual meeting. The date of the first annual meeting of Neighborhood Representatives shall be set by the Board, but shall be no later than one (1) year after the first Close of Escrow in the First Subdivision. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. The annual meetings of the Neighborhood Representatives shall be open to attendance by all Members and first Mortgagee representatives to the extent of the space available in the meeting room.

4.8.3 Special Meetings of Neighborhood Representatives. The President shall call a special meeting of all Neighborhood Representatives, as directed by resolution of a majority of a quorum of the Board, or upon receipt of a petition signed by Members or Neighborhood Representative(s) representing at least five percent (5%) of LARMAC's voting power. The Secretary shall give notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such petition. The notice must state the date, time and place of the meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or receipt of such petition. No business may be transacted at a special meeting except as stated in the notice. Special meetings of the Neighborhood Representatives are open to attendance by all Members and first Mortgagee representatives to the extent of the space available in the meeting room.

4.8.4 Adjourned Meetings. If any meeting of Neighborhood Representatives cannot be organized because a quorum is not present, Neighborhood Representatives representing a majority of the voting power present may adjourn the meeting to a time not more than forty-five (45) days from the original meeting date, at which meeting the quorum requirement is the presence of Neighborhood Representatives representing at least fifteen percent (15%) of LARMAC's voting power.

4.8.5 Notice of Meetings. The Secretary must send a notice of each annual or special meeting delivered personally, by first class mail or by any other means of written communication, including a system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, to each Neighborhood Representative of record, to the Members, and to each first Mortgagee who has filed a written request for notice with the Secretary, at least ten (10) but not more than ninety (90) days before such meeting. Notice

of Neighborhood Representative meetings shall also be given to the Members of LARMAC through posting on the LARMAC Property, distribution through an appropriate means of telecommunications or via LARMAC's newsletter, if any.

4.8.6 Record Date. The Board may fix a date as a record date for determining the voting power represented by each Neighborhood Representative. The record date so fixed must be not more than sixty (60) days before the date of the meeting or the date the written ballot is distributed. If the Board does not fix a record date, the record date is the close of business on the business day preceding the day on which the meeting is held or the ballot is distributed.

4.8.7 Order of Business. Meetings of Neighborhood Representatives must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the LARMAC Board may adopt. The order of business at all meetings of the Neighborhood Representatives is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) unfinished business; and (g) new business.

4.8.8 Consent of Absentees. The transactions of any meeting of Neighborhood Representatives, either annual or special, however called and noticed, are valid as if they occurred at a meeting duly held after regular call and notice, if (a) a quorum is present in person, and (b) either before or after the meeting, each of the Neighborhood Representatives not present in person signs (i) a written waiver of notice, (ii) a consent to the holding of such meeting, or (iii) an approval of the minutes of the meeting. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

4.9 ACTION BY WRITTEN BALLOT. Any action which may be taken at a meeting of the Neighborhood Representatives may be taken without a meeting by written ballot of the Neighborhood Representatives. Ballots must be distributed in the same manner as provided in Section 4.8.5 for the giving of notice of meetings of Neighborhood Representatives. Ballot solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Neighborhood Representative specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of both (A) a number of ballots representing voting power which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (B) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of votes cast by written ballot, constitutes approval by written ballot.

4.10 MINUTES, PRESUMPTION OF NOTICE. Minutes or a similar record of the proceedings of meetings of Neighborhood Representatives, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given constitutes prima facie evidence that such notice was given.

**Article V
LADERA RANCH COMMUNITY SERVICES (“LARCS”)**

Ladera Ranch Community Services (“LARCS”) is a nonprofit public benefit corporation formed to foster a unique sense of community throughout Ladera Ranch through sponsorship of a variety of activities and programs. These activities may include sponsoring community and neighborhood clubs and special events, sports activities and leagues, managing a community technology network, and sponsoring health and wellness programs. Following the "Class C Termination Date", LARMAC will become the sole member of LARCS. Article V describes the procedures LARMAC will use to select the directors of LARCS once LARMAC becomes the sole member of LARCS.

5.1 ACCEPTANCE OF LARCS MEMBERSHIP. Upon the assignment by DMB Ladera, LLC, a Delaware limited liability company, or any affiliate of DMB Ladera, LLC, of its membership interest in LARCS to LARMAC, LARMAC shall be deemed to have accepted the membership interest in LARCS and shall become the sole member of LARCS.

5.1.1 Qualification Criteria. The nominees for directors of LARCS shall satisfy the following criteria:

A director shall not be a member of the Board.

A director shall be a Class A Member of LARMAC and a resident of the Covered Property.

A director shall have actively participated in LARCS activities and events.

A director shall be interested in the furtherance of the activities and purpose of LARCS.

5.1.2 Soliciting Member Input. To the extent practical, the Neighborhood Representatives may, but are not required to, solicit input from the Members that they represent to identify the Members’ views regarding the nominees for the LARCS board of director.

5.2. SELECTION OF DIRECTORS OF LARCS. As the sole member of LARCS, LARMAC is entitled to elect the directors of LARCS through the process described in this Article. This Article outlines the procedure by which the directors of LARCS shall be selected. Pursuant to Section 5.2.3, if the number of persons nominated and qualified is equal to or less

than the number of positions to be filled, then the Board shall declare those who are nominated and qualified elected to the LARCS board of directors. Otherwise, an election will be held in accordance with the procedures set forth in this Article to select the persons who will serve as the directors of the LARCS.

5.2.1. Voting Procedure. As applicable, and, for purposes of the remainder of this Section 5.2, the term “Neighborhood Representative” shall mean the person (i.e. the Neighborhood Representative, Alternate Neighborhood Representative or Temporary Neighborhood Representative) who is acting in the “Neighborhood Representative” capacity in connection with the selection of the LARCS board of directors, unless the context clearly provides otherwise. Unless otherwise provided in Section 5.2.3 below, the LARCS board of directors shall be selected by ballots of the Neighborhood Representatives at a Selection Meeting in accordance with the procedures set forth in Section 5.2.4. The procedure for holding the meeting and voting shall be the procedure established in the other Articles of these Bylaws, as modified by this Article. In all other respects not provided in this Article, the procedures set forth in Article II regarding the election of LARMAC directors shall apply to the selection of LARCS directors.

5.2.2. Nomination Procedure. The Nominating Committee, acting at the Board's direction, will seek volunteers to serve as directors of LARCS. The Board may establish nomination procedures and reasonable time frames for receiving nominations in the Community Guidelines. The date set for close of nominations must be not less than fifty (50), nor more than one hundred twenty (120), days before the date of the meeting of the Neighborhood Representatives at which the LARCS board of directors will be selected (the “Selection Meeting”). No nominations can be made after the date set for the close of nominations. A slate of candidates ("Slate of Candidates") must be prepared and distributed to the Members based on the nominations that comply with the nomination guidelines established by the Board. If more qualified people are nominated than there are positions to be filled, an election shall be held at a Selection Meeting. If, after the close of nominations, the number of qualified people nominated for the LARCS board of directors is not more than the number of positions to be filled, those individuals who have been nominated and qualified shall be elected to the LARCS board of directors.

5.2.3. Collection of Proxies For Selection of LARCS Directors. The LARMAC Board shall deliver to all Members forms of proxies listing the Slate of Candidates for the LARCS Board. All such proxies shall state that the person authorized to exercise the proxy is the designated Neighborhood Representative. All proxies must be in writing. Every proxy is revocable and automatically ceases to be effective after completion of the Selection Meeting for which the proxy is provided. Any form of proxy distributed must afford the opportunity to choose among the candidates listed on the Slate of Candidates. The proxy must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The Neighborhood Representative shall cast the Members’ votes in accordance with the directions provided by the Members in their respective proxies.

5.2.4. Selection of LARCS Directors. The Selection Meeting must be held within the sixty (60) days preceding the date on which any LARCS director's term of office will expire. Notice of the date of each Selection Meeting must be distributed to the Members no less than ten (10) days nor more than ninety (90) days before the date of the Selection Meeting. The Board may establish additional guidelines or procedures for holding Selection Meetings. Within sixty (60) days after a vote is taken to select the LARCS board of directors, the Board will announce the results of the vote, and the way each Neighborhood Representative voted.

5.2.5. Quorum. The presence in person of Neighborhood Representatives and Alternate Neighborhood Representative (but expressly excluding Temporary Neighborhood Representatives) representing at least twenty-five percent (25%) of LARMAC's voting power shall constitute quorum for a Selection Meeting. Each Neighborhood Representative or Alternate Neighborhood Representative (but expressly excluding Temporary Neighborhood Representatives) who is present in person represents all Members in the Neighborhood for purposes of establishing quorum at a Selection Meeting.

5.2.6. Record Date. The LARMAC Board of Directors may fix a date as a record date for determining Members entitled to notice of each Selection Meeting. The record date so fixed must be not more than ninety (90) nor less than ten (10) days before the date of the Selection Meeting. If the Board does not fix a record date, the record date is the close of business on the business day proceeding the day on which notice is given. The LARMAC Board may also fix a date as a record date for determining Members entitled to receive proxies pursuant to Section 5.2.4 above. The record dates so fixed must be not more than sixty (60) days before the date of the Selection Meeting. If the Board does not fix a record date, the record date is the date of the Selection Meeting.

5.2.7. Cumulative Voting. Cumulative voting as described in Section 2.4.5 shall apply with respect to election of LARCS directors.

**Article VI
ACTIONS BY LARMAC MEMBERS**

This Article describes how the Members make decisions, the minimum quorum requirement for Member votes, the number of Members required to approve proposals and other procedures involved with seeking Member approval of matters. Because LARMAC may eventually have over 8,000 Members, decisions to be made by the entire Membership (except for the election of Directors) will be made by written ballot and not at meetings. In some circumstances, such as when Neighborhood Representatives are elected, meetings of Members in a Neighborhood may be held. Meetings of Members in Special Benefits Areas can also be held.

The following is a summary of the issues that can be decided by the entire Membership, Members in Neighborhoods and Members in Special Benefit Areas.

<i>Entire Membership</i>	<ul style="list-style-type: none"> ➤ <i>Election of Directors</i> ➤ <i>Amendments to certain provisions of the Bylaws</i> ➤ <i>Certain increases in the General Assessment Component of Common Assessments and imposition of certain Capital Improvement Assessments</i> ➤ <i>Expenditures of some litigation expenses</i> ➤ <i>Enforcing Declarant's bonded obligations</i> ➤ <i>Certain amendments to the Master Declaration</i>
<i>Neighborhoods</i>	<ul style="list-style-type: none"> ➤ <i>Election and removal of Neighborhood Representatives</i>
<i>Special Benefit Areas</i>	<ul style="list-style-type: none"> ➤ <i>Certain increases in assessments (See Master Declaration Section 8.5.2)</i> ➤ <i>Imposition of certain Special Benefit Area Capital Improvement Assessments</i>

6.1 VOTING RIGHTS. LARMAC's classes of voting Membership are set forth in the Master Declaration.

6.2 ACTIONS BY THE ENTIRE MEMBERSHIP. Actions that must be taken by the entire Membership of LARMAC, except for the election of Directors, shall be taken by written ballot in accordance with the following procedure.

6.2.1 Quorum Requirement. Twenty-five percent (25%) of LARMAC's voting power constitutes a quorum of the Membership.

6.2.2 Approval Requirement. Any action which may be taken by the Members of LARMAC must be approved by a majority of the voting power of LARMAC.

6.2.3 Record Date. The Board may fix a date in the future as a record date for determining which Members are entitled to vote. The record date so

fixed must be not more than sixty (60) days before the date of the vote. If the Board does not fix a record date for determining Members entitled to vote, Members on the date the written ballot is distributed who are otherwise eligible to vote are entitled to vote.

6.2.4 Form of Ballot. Ballots must be delivered personally, by first class mail or by any other written means of communication, including by a system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. Solicitations for ballots must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be recorded in accordance therewith.

6.2.5 Approval by Ballot. Receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

6.2.6 Distribution of Ballots. For each issue submitted to the Members for vote by written ballot, the Board will prepare and distribute (i) a statement describing the proposal and potential arguments for and against the proposal, (ii) a form of written ballot, and (iii) any other information required by applicable California law. A single ballot may be used for multiple proposals. The Board will also provide copies of these items to the Neighborhood Representatives. At the Board's request, the Neighborhood Representatives will assist in collecting written ballots from Members and returning written ballots to the Board.

6.3 ACTIONS BY NEIGHBORHOODS. The only actions to be taken by the Neighborhoods are election and removal of Neighborhood Representatives. Neighborhood Representatives representing Neighborhoods composed of Lots or Condominiums under the jurisdiction of a single Neighborhood Corporation will be elected and removed concurrently with their election and removal from office in the Neighborhood Corporation pursuant to Sections 4.3.2 and 4.6.1. Neighborhood Representatives representing other Neighborhoods will be elected pursuant to Section 4.3.3 and removal pursuant to Section 4.6.2.

6.4 ACTIONS BY SPECIAL BENEFITS AREAS. The only actions that must be taken by Members in a Special Benefits Area are approvals of certain increases in the Special Benefit Area component of Common Assessments, certain aggregate increases in Common Assessments and imposition of certain Special Benefit Area Capital Improvement Assessments.

The quorum and approval requirements for these actions are set forth in Sections 8.5.2, 8.5.3 and 8.6.3 of the Master Declaration.

6.5 PROVISIONS APPLICABLE TO SPECIAL BENEFITS AREA ACTIONS AND NEIGHBORHOOD ACTIONS.

6.5.1 Voting by Proxy. Votes may be cast at a meeting in person or by proxy. Proxies must be in writing, signed by the Member granting the proxy, dated and filed with the Secretary in advance of any meeting. Every proxy is revocable and automatically ceases after completion of the meeting for which the proxy was filed. Any form of proxy distributed must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

6.5.2 Place of Meetings. Meetings shall be held in the Covered Property or such other practical and convenient place as designated by the Board.

6.5.3 Calling Meetings. The Board shall call a meeting of the Members in a Neighborhood or Special Benefits Area (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of LARMAC, or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of LARMAC's voting power in the Neighborhood or Special Benefits Area. The Secretary shall give notice of any meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time and places of such meeting and the general nature of the business to be transacted. The meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a meeting except as stated in the notice.

6.5.4 Notice. The Secretary shall send a notice of each meeting delivered personally, by first class mail or by any other written means of communication, including by a system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, stating the purpose of the meeting and the day, hour and place(s) where the meeting is to be held, to each Member of record in the Neighborhood or Special Benefits Area, at least ten (10) but not more than ninety (90) days before such meeting. The notice may set forth time limits for speakers and other procedures for running the meeting. The notice must specify those matters the Board intends to present for action by the Members. Once a notice is sent, it shall be considered received, forty-eight (48) hours after being sent.

6.5.5 Record Dates. The Board may fix a date as a record date for determining which Members are entitled to notice of any meeting of a Neighborhood or Special Benefits Area. The record date so fixed must be not less than ten (10) nor more than ninety (90) days before the date of the meeting. If the Board does not fix a record date for notice, the record date is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for the determination of the Members entitled to vote at any meeting of a Neighborhood or Special Benefits Area or by written ballot. The record date so fixed must be not more than sixty (60) days before the date of the meeting or cut off date for receipt of the ballot. If the Board does not fix a record date for determining Members entitled to vote, Members on the day of the meeting or the date the written ballot is distributed who are otherwise eligible to vote are entitled to vote at the meeting.

6.5.6 Order of Business. Meetings must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as LARMAC may adopt. The order of business at all meetings of the Members is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting (if any); (d) unfinished business; and (e) new business.

6.5.7 Action By Written Ballot. Any action which may be taken at a meeting of the Members in a Neighborhood or Special Benefits Area may be taken without a meeting by written ballot. Ballots must be solicited and returned in the same manner as provided for the giving of notice of meetings. Such solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be recorded in accordance therewith. Receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

6.5.8 Distribution of Ballots. For each issue submitted to the Members in a Neighborhood or Special Benefits Area for vote by written ballot, the Board will prepare and distribute (i) a statement describing the proposal and potential arguments for and against the proposal, (ii) a form of written ballot, and (iii) any other information required by applicable California law. The Board will also provide copies of these items to the appropriate Neighborhood Representatives.

At the Board's request, the Neighborhood Representatives will assist in collecting written ballots from Members and returning written ballots to the Board.

6.5.9 Consent of Absentees. The transactions of any meeting of Members in a Neighborhood or Special Benefits Area, however called and noticed, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting, each of the Members not present in person or by proxy signs (i) a written waiver of notice, (ii) a consent to the holding of such meeting, or (iii) an approval of the minutes of the meeting. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

6.5.10 Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Members in a Neighborhood or Special Benefits Area, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given constitutes prima facie evidence that such notice was given.

Article VII AMENDMENTS TO BYLAWS

7.1 BOARD APPROVAL. These Bylaws may be amended by a majority of the entire Board, (i) at any time before the Close of Escrow for the sale of the first Lot or Condominium, or (ii) if the proposed amendment is required to conform the Bylaws to the requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC and is within the Board's power to adopt without Member approval pursuant to the California Corporations Code. Any other amendment to these Bylaws requires approval by a majority of the entire Board and any other approvals required by Sections 7.2, 7.3 and 7.4.

7.2 NEIGHBORHOOD REPRESENTATIVE APPROVAL. Amendments that cannot be adopted by the Board alone pursuant to Section 7.1 or by the Board with the consent of Members pursuant to Section 7.3 must be approved by the Board and the Neighborhood Representatives; provided that the specified percentage of the voting power necessary to amend a specific Section or provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. When applicable, the approval required by Section 7.4 must also be obtained.

7.3 MEMBER APPROVAL. Sections 4.1, 6.2, 6.3, 6.4, 7.2, and 7.3 and Article II may not be amended without the approval of Members obtained pursuant to Section 6.2.2.

7.4 DECLARANT APPROVAL. Sections 3.1, 4.1, 4.2, 4.3, 4.6, 4.7, 6.1, 6.2, 6.3, 6.4 and Articles II and VII may not be amended without the written consent of Declarant until the date on which neither Declarant nor Neighborhood Builders owns or has a Mortgage interest in any portion of the Covered Property or the Annexable Area.

**Article VIII
MISCELLANEOUS**

8.1 CONFLICTING PROVISIONS. In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

8.2 CHECKS, DRAFTS AND DOCUMENTS. All checks, drafts, orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to LARMAC must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of these Bylaws for withdrawing money from LARMAC's reserve accounts.

8.3 EXECUTION OF DOCUMENTS. The Board may authorize any Person to enter into any contract or execute any instrument in the name and on behalf of LARMAC, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no Person may bind LARMAC by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

8.4 USE OF TECHNOLOGY. Where allowed by applicable law, any information LARMAC, its Board of Directors, officers, Neighborhood Representatives or other representatives is required to distribute can be distributed by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means.

8.5 AVAILABILITY OF LARMAC DOCUMENTS.

8.5.1 Records To Be Maintained. LARMAC shall maintain at its principal office (or at such other place within or near the Covered Property as the Board may prescribe) the LARMAC Governing Documents, books of account, minutes of meetings of Members, Neighborhood Representatives, the Board and committees, the Membership Register and any other documents required by law to be maintained by LARMAC (collectively, the "LARMAC Documents"), each of which shall be made available for inspection and copying by any Member or the Member's duly appointed representative for a purpose reasonably related to the Member's interest as a Member in accordance with applicable law.

8.5.2 Limits on Availability. The Board may establish reasonable rules regarding (a) notice to be given to the custodian of the LARMAC Documents 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 copying any of the LARMAC Documents requested by a Member; provided that every Director may at any reasonable time inspect all LARMAC Documents and the physical properties owned or controlled by LARMAC, and make extracts and copies of documents.

8.5.3 Time of Availability. The minutes, minutes that are proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board (other than an executive session) and any meeting of Neighborhood Representatives must be available to Members within thirty (30) days of the meeting. No later than ten (10) days after LARMAC receives written request from any Member, LARMAC shall provide to that Member a copy of any one or more of the documents listed in California Civil Code Section 1368(a) requested by the Member for purposes of providing the documents to a prospective purchaser of the Member's Residence. LARMAC may charge a fee for this service not exceeding LARMAC's reasonable cost to prepare and reproduce the requested documents.

8.5.4 Distribution to Members. The minutes, proposed minutes or summary minutes described in Section 8.5.3 must be distributed to any Member upon request and upon reimbursement of LARMAC's cost of making the distribution. Members must be notified in writing when the Budget is distributed or when any general mailing to the entire LARMAC Membership is made of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

8.6 FISCAL YEAR. The Board shall designate LARMAC's Fiscal Year. The Fiscal Year may be changed by the Board.

8.7 STATEMENTS IN ITALICS. The portions of these Bylaws printed in italics are provided as simplified, general explanations of the purposes of the Articles and Sections of these Bylaws and the scheme of governance for the Covered Property. The statements in italics are provided for convenience and may not be considered in resolving questions of interpretation or construction of the LARMAC Governing Documents.

Article IX NOTICE AND HEARING PROCEDURE

If a Person believes a violation of the LARMAC Governing Documents is being committed, the Person can report the violation to the Covenant Committee. This Article establishes the procedure for submitting complaints. It also sets the procedure the Covenant Committee will use when hearing complaints and determining if sanctions will be imposed.

9.1 INITIAL COMPLAINT. Persons who believe a violation of the LARMAC Governing Documents has occurred may file a violation complaint in a form authorized by the Covenant Committee with a Person designated by the Covenant Committee. The Covenant Committee will then begin the enforcement process. In its discretion, the Covenant Committee can issue one or two violation letters to the Person alleged to have committed the violation ("respondent") or set a hearing described in Section 9.2. The Covenant Committee may direct the Community Manager to assist the Covenant Committee in any of the steps the Covenant Committee chooses to take in enforcing the LARMAC Governing Documents except that decisions made at hearings must be made by the Covenant Committee itself.

9.2 SCHEDULING HEARINGS. A hearing before the Covenant Committee to determine whether a sanction should be imposed may be initiated by the Covenant Committee after receipt of at least one violation complaint. To initiate a hearing, the Covenant Committee must deliver to the respondent a notice which includes all of the following:

9.2.1 Complaint. A written statement in ordinary, concise language describing the acts or omissions with which the respondent is charged,

9.2.2 Basis for Violation. A reference to the specific provisions of the LARMAC Governing Documents which the respondent is alleged to have violated,

9.2.3 Hearing Schedule. The date, time and place of the scheduled hearing,

9.2.4 Sanctions. A list of sanctions which may be imposed at the hearing.

The date for the hearing may be no less than fifteen (15) days after the date the notice of hearing is mailed or delivered to the respondent. The respondent is entitled to attend the hearing, submit a statement of defense to the Covenant Committee in advance of the hearing, and present a statement of defense and supporting witnesses at the hearing. If the respondent does not attend the hearing, the respondent waives these rights.

9.3 CONDUCT OF HEARING. The Covenant Committee shall conduct the hearing in executive session, affording the respondent a reasonable opportunity to be heard. Before any sanction is effective, proof of notice and the invitation to be heard must be placed in the minutes of a Covenant Committee meeting. Such proof is adequate if a copy of the notice and a statement of the date and manner of delivery is entered in the Covenant Committee's minutes by a LARMAC officer or Covenant Committee member who mailed or delivered such notice. The minutes of the meeting must contain a written statement of the results of the hearing and the sanction, if any, imposed.

9.4 IMPOSITION OF SANCTIONS. After affording the respondent an opportunity for a hearing before the Covenant Committee, the Board may ratify any one or more of the following sanctions imposed by the Covenant Committee: (a) levy a Compliance Assessment as authorized in the Master Declaration; (b) suspend or condition the respondent's right to use any recreational facilities LARMAC owns, operates or maintains beginning on a date in the future selected by the Covenant Committee; (c) suspend the respondent's voting privileges established under the Master Declaration; (d) enter upon a Lot or Condominium or property owned by a Subordinate Corporation to remedy the violation of the LARMAC Governing Documents, or (e) record a notice of noncompliance (if not prohibited by law). Any suspension of Membership privileges may not be for a period of more than thirty (30) days for any noncontinuing infraction. For continuing infractions (including nonpayment of any assessment), Membership privileges may be suspended for so long as the violation continues. Written notice of any sanction to be

imposed (“notice of sanction”) must be delivered to the respondent personally, by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, via first class mail or certified mail return receipt requested, or any combination of the foregoing. No action against the respondent arising from the alleged violation may take effect before five (5) days after the hearing.

9.5 LIMITS ON REMEDIES. The Board’s or Covenant Committee’s failure to enforce the LARMAC Governing Documents does not waive the right to enforce the same thereafter. The remedies provided by the LARMAC Governing Documents are cumulative and not exclusive. However, any individual Member or Subordinate Corporation must exhaust all available internal LARMAC remedies prescribed by the LARMAC Governing Documents before that Member or Subordinate Corporation may resort to a court of law for relief with respect to any alleged violation of the LARMAC Governing Documents by another Member or Subordinate Corporation.

9.6 APPEALS. If the respondent is sanctioned, the respondent has the right to appeal any decision of the Covenant Committee to the Board. To exercise this right, a written notice of appeal must be received by the presiding member of the Covenant Committee, the President of the Board or the Community Manager within ten (10) days after the date of the notice of sanction.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that:

1. I am the duly elected and acting Secretary of the Ladera Ranch Maintenance Corporation, a California nonprofit corporation; and
2. The foregoing Bylaws, composed of 44 pages including this page, constitute the Bylaws of the Ladera Ranch Maintenance Corporation, duly adopted by the Board of Directors in Lieu of First Organizational Meeting dated effective as of May 13, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Ladera Ranch Maintenance Corporation this _____ day of _____, 1999.

Marc Lamkin, Secretary

(SEAL)