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BY-LAWS
OF
VIEWPOINT HERMOSA HOMEOWNERS ASSOCIATION

ARTICLE I
NAME AND LOCATION

The name of the Association is viewpoint Hermosa Homeowners Association, hereinafter referred to as the "Association". The principal office of the Association shall be located at 444 Hermosa Avenue, City of Hermosa Beach, County of Los Angeles, State of California, or at such other place as may be designated by the Board.

ARTICLE II
DEFINITIONS

1. The definitions contained in the Declaration are incorporated by reference herein.
2. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions applicable to the property recorded on the 10th day of May 1989 as Instrument No. 89-750232 of Official Records of the County of Los Angeles.

ARTICLE III
MEETING OF MEMBERS AND VOTING

1. REGULAR MEETINGS. The Association shall come into existence either prior to or concurrent with the closing of the sale of the first project interest. At that time the developer will appoint an interim Board of Directors which governing body shall be subject to the Declaration of Restrictions and shall adopt these By-Laws by executing the same as called for in Article XIII herein.

(a) Regular meetings of members of the Association shall be held not less frequently than once each calendar year at a time and place set forth in Article I. The first meeting of the Association, whether a regular or special meeting, shall be held within 45 days after the closing of the sale of the subdivision interest which represents the 51st percentile interest authorized for sale under the first public report for the subdivision, but in no event shall the meeting be held later than six months after the closing of the sale of the first subdivision interest.

(b) Meetings of Association members shall be held within the subdivision or at a meeting place as close thereto as possible. Unless unusual conditions exist, members' meetings

shall not be held outside of the county in which the subdivision is situated.

2. SPECIAL MEETINGS. A special meeting of the members of the Association shall be promptly scheduled by the governing body in response to: (1) the vote of the governing body itself, or; (2) Written request for a special meeting signed by members representing at least five percent (5%) of the total voting power of the Association.

3. NOTICE AND PLACE OF MEETINGS. Written notice of regular and special meetings shall be given to members by the Board of Directors by any means which is appropriate given the physical set-up of the subdivision. This notice shall be given not less than ten (10) nor more than ninety (90) days before the date of any meeting at which members are required or permitted to take any action, and to each institutional lender requesting notice. The notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the nature of the business to be undertaken.

Institutional lenders may designate in writing a representative to attend all meetings.

4. QUORUM. A quorum for the transaction of business at a meeting of members of the Association through presence in person or by proxy shall be established at a percentage of not less than 25% and not more than $66 \frac{2}{3}$ of the total voting power of the Association. Within these percentage limits, the quorum requirements for members' meetings shall be suited to such factors as the proposed physical layout of the subdivision, the contemplated number of owners of subdivision interests and the nature and extent of the common areas, facilities and services.

In the absence of quorum at a members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum by those in attendance shall be a date not less than five days and not more than 30 days from the original meeting date. The quorum for an adjourned meeting may be set by the governing instruments at a percentage less than that prescribed for a regular meeting, but it shall not be less than 25 per percent of the total voting power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

5. PROXIES. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Unit, or upon receipt of notice

by the secretary of the Board of the death or judicially declared incompetence of such member, or upon expiration of eleven (11) months from the date of the proxy.

Any form of proxy or written ballot distributed by any persons to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

6. VOTING. Membership shall be held as provided in the Declaration. The Association shall have two (2) classes of voting membership:

Class A: Class A members shall be all owners with the exception of the Declarant (as defined in the Declaration). Each Unit shall be entitled to one (1) vote. When more than one person holds interest in any Unit, all such persons shall be members. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more votes than a Unit is entitled to be cast with respect to any Unit.

Class B: The Class B member(s) shall be the Declarant and shall be entitled to vote as follows: Voting shall be the same as for Class A memberships, except that Class B members may triple their votes for each Unit owned. The Class B memberships shall cease and be converted to Class A memberships upon the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes (tripled as stated above) outstanding in the Class B membership; or

(b) On the second anniversary date of the original issuance of the Final Subdivision Report for the project.

Any action by the Association which must have the approval of the members before being undertaken shall require the vote or written assent of a majority of each class of membership during the time that there are two (2) outstanding classes of membership. Where the vote or written assent of each class of membership is required, any requirement that the vote of Declarant be excluded is not applicable, except as provided in Article VIII, Section 14 or Article VIII, Paragraph 14 the Declaration. After the conversion of Class B to Class A memberships, any action by the Association which must have the approval of the members before being undertaken shall require the vote or written assent of a bare

majority of the total voting power of the Association as well as the vote or written assent of a prescribed majority of the total voting power of members other than Declarant. Voting rights attributable to units shall not vest until assessments against those units have been levied by the Association.

7. ACTION WITHOUT MEETING. Any action that may be taken at any annual or special meeting of members (except the election of Directors) may be taken without a meeting if the provisions of California Corporations Code 7513 are complied with. Written ballots must be solicited from all members and received from a number of members at least equal to the quorum applicable to a meeting of members. All such written ballots shall be filed with the secretary of the Association and maintained in the Association's records. All solicitations of ballots shall indicate the time by which the ballot must be returned to be counted.

8. RULES AND REGULATIONS. All owners, tenants, or their employees, or any other person that might use the facilities of the project in any manner, are subject to the regulations set forth in these By-Laws and to the Rules and Regulations of the Association. Acquisition, rental, or occupancy of any unit shall constitute acceptance and ratification of the provisions of the By-Laws, the Declaration, and the Rules and Regulations.

ARTICLE IV

MEMBERS OF THE ASSOCIATION SHALL ASSUME THE POWERS AND DUTIES OF THE BOARD OF DIRECTORS AS SET FORTH HEREINBELOW

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

1. NUMBER. The affairs of this Association shall be managed by the Board of four (4) directors. Except for interim directors serving prior to the first election, directors must be members of the Association.

2. TERM OF OFFICE. At the first annual meeting the members shall elect four (4) directors for a term of one (1) year, except for those directors elected at the first annual meeting who shall serve only until the next annual meeting, and at each annual meeting thereafter, the members shall elect four (4) directors for a term of one (1) year.

3. REMOVAL. Unless the entire Board is removed from office by vote of Association members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against removal would be sufficient to elect him if voted cumulatively at an election at which the same total number of votes were cast and the entire Board authorized at the time of the most recent election of the governing body member were then being elected. A Director who was elected solely by

the votes of members other than Declarant may be removed from office prior to the expiration of his term only by the votes of a majority of members other than Declarant. In the event of death or resignation of a Director, his successor shall be selected by a majority of the remaining members of the Board or by a sole remaining Director, and shall serve for the unexpired term of his predecessor. The members may elect a Director at any time to fill any vacancy not filled by the Directors. The Board may appoint a Director to fill a vacancy created by removal of a Director, but only with the vote or written consent of a majority of the voting power of the Association, residing in members other than Declarant.

4. COMPENSATION. No director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses, if reasonable, incurred in the performance of his duties, as provided in Article VII, Section 3 (d).

5. INDEMNIFICATION OF OFFICERS AND DIRECTORS. Each director, officer and committee member, shall be indemnified by the Association and the members against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him by judgment or settlement in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director, officer, or committee member of the Association, except in cases of fraud, gross negligence or bad faith of the director, officer, or committee member in the performance of his duties.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

1. NOMINATION. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Notice to the members of the meeting shall include the names of those who are nominees at the time the Notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Except for interim directors serving prior to the first election, such nominations must be made from among members of the Association. All candidates shall have reasonable opportunity to communicate their qualifications to the members and to solicit votes.

2. ELECTION. The first election of the Board shall be conducted at the first meeting of the Association. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting shall be utilized during all elections in which more than two positions on the Board are to be filled, subject only to the procedural prerequisites set forth in Section 7615(b) of the Corporation Code. Voting for Directors shall be by secret written ballot. At the first and any subsequent election in which the majority of the voting power resides in the Declarant, or so long as the two class voting structure is in effect, not less than one-third (1/3) of the incumbents on the Board shall have been elected solely by the votes of the owners other than the Declarant, (a minimum of one (1) Director); in accordance with the following special procedure: The collected ballots shall be segregated between ballots cast by Declarant, and ballots cast by other members. The ballots received from other members shall be counted first, and the persons receiving the greatest number of votes from such members shall be elected to the Board. The votes of Declarant shall then be added to the totals and the persons receiving the three (3) (remaining number of directors to be elected) highest number of votes (other than the person already elected) shall be elected to the remaining positions on the Board.

ARTICLE VI

MEETINGS OF DIRECTORS

1. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held monthly at such place within the project, and at such hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday. Notice of the time and place of the meeting shall be posted at a prominent place within the common area and shall be communicated to the Directors not less than four (4) days prior to the meeting unless any Director has signed a waiver of notice or written consent to holding of the meeting. The Board of Directors shall take action without a meeting if all members consent in writing to an action to be taken. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted in a prominent place within the common area within three (3) days after written consent of all of the members of the Board of Directors have been obtained.

2. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association, or by any two Directors other than the President. The notice shall specify the time and place of

the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Such notice shall be posted at a prominent place within the common area not less than seventy-two (72) hours prior to the scheduled time of the meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

3. QUORUM. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by a majority of the required quorum for that meeting.

4. OPEN MEETINGS. All meetings of the Board shall be open to all members, but members other than Directors may not participate in any discussion of deliberation unless expressly so authorized by a majority of a quorum of the Board.

5. EXECUTIVE SESSION. The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, disciplinary matters, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

6. TELEPHONE MEETINGS. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting. Arrangements shall be made to enable any member who desires to listen to the telephone meeting of the Board, to be able to do so. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after the meeting.

7. WAIVER OF NOTICE. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held,

shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and, (b) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

8. NOTICE OF ADJOURNED MEETING. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment, and shall be posted at a prominent place within the Common Area.

9. ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Board members have been obtained.

ARTICLE VII

POWER AND DUTIES OF THE BOARD OF DIRECTORS

1. DUTIES. It shall be the duty of the Board of Directors to:

(a) Maintenance: Maintain the project in accordance with Article V, Paragraph 1A of the Declaration;

(b) Insurance: Maintain insurance as required by Article VIII, Section 8 of the Declaration;

(c) Discharge of Liens: Discharge by payment, if necessary, any lien against the Common Area and assess the cost thereof to the member or members responsible for the existence of said lien (after notice and hearing as required by the Declaration);

(d) Assessments: Fix, levy, collect and enforce assessments as set forth in Article IV of the Declaration;

(e) Expenses and Obligation: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or

governmental charges levied or imposed against the property of the Association;

(f) Records: Cause to be kept a complete record of all its acts and business affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members; keep adequate and correct books and records of account, minutes of proceedings of its members, Board and Committees, and a record of its members, giving their names and addresses and classes of membership;

(g) Supervision: Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(h) Enforcement: Enforce these By-Laws and the Declaration;

(i) Election: Election of officers of the governing body;

(j) Vacancies: Filling of vacancies on the governing body except for a vacancy created by the removal of a governing body member.

2. POWERS. The Board of Directors shall have the power to:

(a) Manager: Employ a manager as provided in Article V, Section 2C of the Declaration;

(b) Adoption of Rules: Adopt rules in accordance with Article V, Section 2D of the Declaration;

(c) Assessments, Liens, and Fines: Levy and collect assessments and impose fines as provided in Article V, Section 2F of the Declaration;

(d) Enforcement: Enforce these By-Laws and the Declaration in accordance with Article VIII of the Declaration;

(e) Contracts: Contract for goods and/or services in accordance with Article V, Section 2K of the Declaration;

(f) Delegation: Delegate its authority and powers to committees, officers or employees of the Association;

(g) Use of Recreational Facilities: Limit the number of an owner's guests who may use the recreational facilities.

3. PROHIBITED ACTS. The Board of Directors shall not take any of the following actions, except with the vote or written consent

of a majority of the total voting power of the Association and a majority of the votes of members other than Declarant:

(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(3) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years' duration provided that the policy permits short rate cancellation by the insured;

(4) Lease agreements for laundry room fixtures and equipment of not to exceed five years' duration, provided that the lessor under the agreement is not an entity in which the subdivider has a direct or indirect ownership interest of 10 percent (10%) or more.

(5) Agreements for cable television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incurring aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(c) Selling during any fiscal year property of the Association having an aggregate fair market value greater than five

percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(d) Paying compensation to members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association;

(e) Filling of a vacancy on the governing body created by the removal of a governing body member.

(f) Levy special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

1. **ENUMERATION OF OFFICERS.** The officers of this Association shall be a President and a Vice-President, who shall at all times be members of the Board of Directors, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution create.

2. **ELECTION OF OFFICERS.** The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

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

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

5. **RESIGNATION AND REMOVAL.** Any officer may be removed from office (but not from the Board, if he is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

6. **VACANCIES.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

7. MULTIPLE OFFICES. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Article VIII, Paragraph 4.

8. DUTIES. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board of Directors and at all membership meetings; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks and promissory notes. He shall have the general powers and duties of management usually vested in the office of the President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these By-Laws.

Vice-President

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

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Chief Financial Officer

(d) The Chief Financial Officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; shall keep proper books of account; shall regularly prepare financial statements to be distributed by the Board to each member of the Association as follows:

(1) A budget for each fiscal year consisting of at least the following information shall be distributed not less than 45 days nor more than 60 days prior to the beginning of the fiscal year to which the budget relates:

(A) The estimated revenue and expenses on an accrual basis.

(B) The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

(C) An itemized estimate of the current replacement costs of the estimated remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(D) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(2) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of an interest in the subdivision, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name or names of the entity assessed.

(3) A report consisting of the following shall be distributed within 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) For any fiscal year in which the gross income to the Association exceeds \$75,000.00, a review of the annual financial statement prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(4) If the report referred to in (3) above is not prepared by an independent accountant, it shall be accompanied by the certificate of any authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

(5) In lieu of the distribution of the financial statement required by item (1) above, the Board of Directors may elect to distribute a summary of the statement to all

its members with a written notice that the statement is available at the business office of the Association or at another suitable location within the boundaries of the development, and that copies will be provided upon request and at the expense of the Association. If any member requests a copy of the financial statement required by item (1) above, to be mailed to the member, the Association shall provide the copy to the member by first-class United States mail at the expense of the Association and delivered within five days. The written notice that is distributed to each of the Association members shall be in at least 10-point bold type on the front page of the summary of the statement.

(6) In addition to financial statements, the governing body shall annually distribute within 60 days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against members' subdivision interests.

(7) (a) The governing body shall do the following not less frequently than quarterly:

(1) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(2) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

(3) Review the current year's actual reserve revenues and expenses compared to the current year's budget.

(4) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(5) Review an income and expense statement for the Association's operating and reserve accounts.

(b) Withdrawal of funds from the Association's reserve account shall require the signatures of either:

(1) Two members of the governing body or;

(2) One member of the governing body and an officer of the Association who is not also a member of the governing body.

ARTICLE IX

COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

No committee, regardless of Board resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California, also require members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal By-Laws or adopt new By-Laws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees; (f) approve any transaction to which the Association is a party and in which one (1) or more Directors have a material financial interest.

ARTICLE X

BOOKS AND RECORDS

1. INSPECTION BY MEMBERS. The membership register, including mailing addresses and telephone numbers, books of account, and minutes of meetings of members of the Association, of the Board, and of all committees shall be made available for inspection and copying by any member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

2. RULES FOR INSPECTION. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the member desiring to make the inspection;

(b) Hours and days of the week when such an inspection may be made;

(c) Payment of the cost of reproducing copies of documents requested by a member.

3. INSPECTION BY DIRECTORS. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the unit against which the assessment is made.

(1) Regular and special assessments levied pursuant to the Declaration are delinquent 15 days after they become due. If an assessment is delinquent the association may recover all of the following:

(a) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

(b) A late charge not exceeding 10 percent of the delinquent assessment, or ten dollars, (\$10), whichever is greater, unless the declaration specified a late charge in a smaller amount, in which case any late charge imposed shall not exceed the amount specified in the Declaration.

(c) Interest on all sums imposed in accordance with this section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed 12 percent interest, commencing 30 days after the assessment becomes due.

(d) Associations are hereby exempted from interest rate limitation imposed by Article XV of the California Constitution, subject to the limitations of Civil Code Section 1366(c).

The Association may bring an action at law against the owner personally obligated to pay said assessments or record a notice of assessment pursuant to Civil Code Section 1367 and foreclose the lien against the unit, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his unit.

ARTICLE XII

AMENDMENTS

After the conversion of Class B to Class A memberships, these By-Laws may be amended, at a regular or special meeting of the members, only by the affirmative vote or written consent of members representing at least fifty-one percent (51%) of a quorum, but not more than fifty-one percent (51%) of the total

voting power of the Association and at least fifty-one percent (51%) of the votes residing in members other than the declarant. If Class B memberships are still in effect, the By-Laws can be amended only upon the vote or written consent of fifty-one percent (51%) of each of the Class A and Class B memberships. Notwithstanding the provisions above, the percentage of a quorum or of the voting power of the Association or of members other than the subdivider necessary to amend a specific clause or provision in these Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

CONFLICTS

In the case of any conflict between the Declaration and these By-Laws, the Declaration shall control. In case any of these By-Laws conflict with the provisions of the California Condominium Act, the provisions of said statute shall control.

ARTICLE XIII

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of the close of escrow of the first sale of a unit.

We, the undersigned, being all of the Directors of Viewpoint Hermosa Homeowners Association do hereby certify:

That we hereby assent to the within and foregoing By-Laws and hereby adopt the same as the By-Laws of said Association.

IN WITNESS WHEREOF, we have hereunto subscribed our names this _____ day of _____, 1989.

I, the undersigned, the duly elected and acting secretary of the Viewpoint Hermosa Homeowners Association, do hereby certify: That the within and foregoing By-Laws were adopted as the By-Laws of said Association on the _____ day of _____, 1989.

SECRETARY

Prepared by: SUBDIVISION LEGAL SERVICES
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