

**BYLAWS
OF
MORNINGSIDE WOODS HOMEOWNERS ASSOCIATION**

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BYLAWS
OF
MORNINGSIDE WOODS HOMEOWNERS ASSOCIATION

ARTICLE I
GENERAL PLAN OF OWNERSHIP

Section 1.01. Name. The name of the corporation is MORNINGSIDE WOODS HOMEOWNERS ASSOCIATION (the "Association"). The principal office of the Association shall be located in San Diego County, California.

Section 1.02. Application. The provisions of these Bylaws are applicable to the planned residential development known as MORNINGSIDE WOODS, located in the City of Escondido, County of San Diego, State of California (the "Properties"). All present and future owners and their tenants, future tenants, employees, and any other person that might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Morningside Woods (the "Declaration") recorded in the Office of the San Diego County Recorder and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties or the mere act of occupancy of any Lot will signify that these Bylaws are accepted, ratified, and will be complied with.

Section 1.03. Meaning of Terms. The following terms, as used in these Bylaws, shall have the same meanings as are applied to such terms in the Declaration: "Grantor," "Articles," "Board," "Common Area," "Landscape Maintenance Areas," "Structural Maintenance Areas," "Family," "Lot," "Member," "Declaration," "Owner," "Person," "Properties," "Mortgage," "Mortgagee," "Common Expenses," "Association," "Improvements," "Manager," "Common Assessment," "ARC," "Special Assessment," "Capital Improvement Assessment," "Dwelling Unit," "Phase 1," "Phase of Development," and "Reconstruction Assessment."

ARTICLE II
VOTING BY ASSOCIATION MEMBERSHIP

Section 2.01. Voting Rights. As provided in Article IV of the Declaration, Members are the owner or owners of record of each Lot in the Properties as of the record date fixed by the Board of Directors pursuant to Section 3.05 of these Bylaws. Members who are current in the payment of assessments are entitled to one (1) vote for each Lot owned and subject to assessment as provided in Section 4.01 of the Declaration.

Section 2.02. Quorum. Except as otherwise provided in these Bylaws, the presence in person, by absentee ballot, or by proxy of at least fifty-one percent (51%) of the voting power of the Association constitutes a quorum. Unless otherwise provided in these Bylaws or the Declaration, any action which may be taken by the Association may be taken by a majority of a quorum of the Members of the Association. Members 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 Members to leave less than a quorum (See Ca. Corp. § 7513).

Section 2.03. Proxies. Votes may be cast in person, by absentee ballot, or by proxy. Proxies must be in writing and filed with the Secretary at least twenty-four (24) hours before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease after completion of the meeting for which the proxy was filed.

ARTICLE III
ADMINISTRATION

Section 3.01. Association Responsibilities. In accordance with the provisions of the Declaration, the Association shall have the responsibility of administering the Properties, maintaining the Common Area, approving the annual budget, establishing and collecting all assessments authorized under the Declaration, and arranging for overall architectural control of the Properties.

Section 3.02. Place of Meetings of Members. Meetings of the Members shall be held on the Properties or such other suitable place in San Diego County proximate thereto as practicable and convenient to the Members as may be designated by the Board of Directors.

Section 3.03. Annual Meeting of Members. The Annual Meetings of the Association shall be held on or about the third week in September. At each Annual Meeting a Board of Directors shall be elected by ballot of the Members, in accordance with the requirements of Article IV, Section 4.05 of these Bylaws. The Members may also transact such other business of the Association as may properly come before them. Each first Mortgagee of a Lot in the Properties may designate a representative to attend Annual Meetings of the Members.

Section 3.04. Special Meetings of Members. It shall be the duty of the President to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors, or upon a petition signed by Members representing at least twenty-five percent (25%) of the total voting power of the Association. The notice of any special meeting shall state the time and place of such meeting, and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of those Members present, in person, by absentee ballot, or by proxy, representing at least eighty percent (80%) of the voting power of the Association. Each first Mortgagee of a Lot in the Properties may designate a representative to attend all special meetings of the Members (*See Declaration, Section 13(e)*).

Section 3.05. Notice of Meetings of Members. The Secretary shall mail a notice of each annual or special meeting of Members to each Member of record and to each first Mortgagee of a Lot who has filed with the Secretary a written request for notice. Notice shall state the purpose of the meeting, as well as the date, hour, and place the meeting is to be held. Notice is to be mailed, together with other information California law requires the Association to furnish to members, at least forty-five (45) days before the end of the fiscal year or sixty (60) days prior to the meeting, whichever comes first. The notice may establish time limits for speakers and nominating procedures for the election of board members. Notice mailed postage prepaid, in the manner provided in this Section, is considered notice served, four (4) days after notice has been deposited in a regular depository of the United States mail. Notice of meetings is also to be posted in a conspicuous place on the Common Area, and is deemed served upon a Member when posted if no address has been furnished to the Secretary (*See Ca. Corp § 7511*).

Section 3.06. Record Date. The Board of Directors may fix a date as a record date for determining the Members entitled to notice of any meeting of Members. The record date so fixed shall not be more than thirty (30) days nor less than ten (10) days prior to the date of the meeting. When a record date has been fixed, only Members of record on that date are entitled to receive notice of, and to vote at, the meeting in question, notwithstanding any transfer of or issuance of Membership certificates on the books of the Association after the record date (*see Ca. Civ. § 7611*).

Section 3.07. Adjourned Meetings. If any meeting of Members cannot be conducted because a quorum is not present, the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. Such adjourned meetings may be held without notice thereof as otherwise required by this Article III, provided that notice is given by announcement at the meeting at which such adjournment is taken. If a meeting is adjourned for more than thirty (30) days, notice of the adjourned meeting shall be given in the manner provided in Section 3.05 of this Article III.

Section 3.08. Order of Business. The order of business at all meetings of the Members shall be 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) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of Members shall be conducted by the officers of the Association, in order of their priority.

Section 3.09. Action Without Meeting. Any action permitted by the California Corporations Code to be taken at a meeting of the Members may also be taken without a meeting if authorized by Unanimous Written Consent signed by all Members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary for placement in the corporate minute book (see Ca. Corp. § 7513(a)).

Section 3.10. Consent of Absentees. If a quorum is present either in person, by absentee ballot, or by proxy, and if, either before or after the meeting, each of the Members not present in person, by absentee ballot, or by proxy signs a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes of the meeting, the transactions at such a meeting of Members, either Annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice. All such waivers, consents, or approvals shall be filed with the corporate records and made a part of the minutes of the meeting (see Ca. Corp. § 7511(e)).

Section 3.11. Minutes, Record of Notice. Minutes or a similar record of the proceedings of meetings of Members, when signed by the President and Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given (see Ca. Corp. §§ 7511(b), (e)).

ARTICLE IV BOARD OF DIRECTORS

Section 4.01. Number and Qualifications. The property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) persons, each of whom must be a resident Owner of a Lot in the Properties. Directors shall not receive any salary or compensation for their service as Directors unless such compensation is first approved by the vote or written consent of a majority of the Members of the Association. However, nothing contained in these Bylaws shall preclude any Director from serving the Association in some other capacity and receiving compensation therefor, or from receiving reimbursement for actual expenses incurred in the performance of duties as a Director (see Ca. Corp. §§ 7151(a), 7151(c)(3)).

Section 4.02. General Powers and Duties. The Board of Directors has all powers and duties necessary for the administration of the affairs of the Association, and it may do all acts and things other than those which the law, the Declaration, or these Bylaws state must be exercised and done exclusively by the Members. The Board of Directors may not enter into any contract for a term of more than one (1) year without the vote or written consent of the Members representing at least a majority of the voting power of the Association, except for any contract with a public utility company which requires a term in excess of one (1) year, or prepaid casualty or liability insurance policies of not more than three (3) years' duration provided that the policies permit short-term cancellation by the Association (see Ca. Civ. § 1365.5).

Section 4.03. Special Powers and Duties. Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(a) The power and duty to elect, appoint, and remove all officers, agents, and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, the Declaration, and these Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and these Bylaws, as the Board may deem necessary or advisable.

(c) The power but not the duty to change the principal office for the transaction of the business of the Association from one location to another within the County of San Diego, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 3.02 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

(d) With the approval of Members representing at least two-thirds (2/3) of the voting power of the Association, the power but not the duty to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(e) The power and the duty to fix and levy upon the Members from time to time Common Assessments, Special Assessments, and Reconstruction Assessments as provided in the Declaration; to fix and levy from time to time in any fiscal year Capital Improvement Assessments applicable to that year only for capital improvements; to determine and fix the due date for the payment of assessments, and the date upon which such assessments shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled, or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement, or development of such property, or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. Such Common Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Declaration. Should any Member fail to pay such Assessments before they become delinquent, the Board of Directors is authorized to enforce, at its discretion, the payment of such delinquent assessments as provided in the Declaration.

(f) Subject to any limitations imposed by the Declaration and these Bylaws, the Board of Directors shall have the power and duty to provide, or cause to be provided, adequate reserves for replacements as defined in California Civil Code § 1365.5 as the Board shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. Reserve funds collected by the Board of Directors from the Members for maintenance recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Disbursements from such trust reserve fund shall be made only in accordance with the provisions of the Declaration and California Civil Code § 1365.5.

(g) The power and duty to enforce the provisions of the Declaration covering the Properties, these Bylaws, or other agreements of the Association.

(h) The power and duty to contract for and pay fire, casualty, errors and omissions, blanket liability, malicious mischief, vandalism, liquor liability, and other insurance insuring the Members, the Association, the Board of Directors, and other interested parties, in accordance with the provisions of the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Area or Landscape Maintenance Areas). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on behalf of the Association.

(i) The power and duty to contract for and pay maintenance, gardening, utilities, materials and supplies, and services relating to the Common Area, Structural Maintenance Areas, and Landscape Maintenance Areas and to employ personnel necessary for the operation of the Properties, including legal and accounting services, and to contract for and pay for Improvements on the Common Area.

(j) The power but not the duty to delegate its powers according to law.

(k) The power but not the duty to grant easements where necessary for utilities, sewer facilities and other public purposes over the Common Areas to serve the Properties.

(l) The power and duty to adopt such rules and regulations as the Board may deem necessary for the management of the Properties, which rules and regulations shall become effective and binding after (1) they are adopted by a majority of the Board at a meeting called for that purpose, or by the written consent of such number of Directors attached to a copy of the rules and regulations of the Association, and (2) they are posted in a conspicuous place in the Common Area. Such rules and regulations may concern, without limitation, use of the Common Area; signs; parking restrictions; minimum standards of property maintenance consistent with the Declaration and the procedures of the ARC; and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such rules and regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation, and these Bylaws.

(m) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote.

(n) The power but not the duty to sell property of the Association, provided, however, that the prior vote or written approval of Members entitled to cast at least two-thirds (2/3) of the voting power of the Association must be obtained to sell 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.

Section 4.04. Management Agent. The Board of Directors may appoint for the Association a professional management agent at a compensation established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4.03 of this Article IV.

Section 4.05. Election and Term of Office. Directors shall be elected at the Annual Meeting of the Members by those Members present in person, by proxy, or by absentee ballot, and entitled to vote. Two (2) directors shall be elected in each even year (e.g., 2002, 2004, etc.) And three (3) directors shall be elected in each odd year (e.g. 2001, 2003, etc.). A list of nominees, together with their qualifications, shall be submitted to Members not later than thirty (30) days prior to the date of the Annual Meeting of the Members. Voting for Directors shall be by secret ballot, and plurality votes shall elect. Those candidates receiving the highest number of votes, up to the number of positions to be filled, shall be elected. The term of office of Directors shall be two years, beginning on October 1. Except as provided in Section 5.03 of these Bylaws, each Director shall hold office during such term until his death, resignation, removal, or issuance of an order by a court of competent jurisdiction that he is found to be mentally incompetent. In the event no successor has been elected prior to the end of a Director's term of office, he shall continue in office until his successor has been elected. Any Director elected or appointed to fill the balance of an unexpired term shall assume the term of office of his predecessor. Any person serving as a Director may be reelected, and there shall be no limitation on the number of terms during which he may serve. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

Section 4.06. Books, Audit. The Board of directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals shall obtain an independent audit of such books and records. A copy of each such audit shall be delivered to a Member within thirty (30) days after the completion of such audit upon written request from a Member. Within ninety (90) days of the close of the Association's fiscal year, a balance sheet and an audited statement of income and expenses for the Association shall be distributed to each Member and, upon request, to any institutional holder of a first Mortgage on a Lot in the Properties.

All books, records, and papers of the Association shall be made available for inspection and copying by any Member or his duly appointed representative at the principal office of the Association or at such other place within the Properties as the Board may prescribe. The Board shall establish reasonable rules with respect to (1) notice to be given to the custodian of the records by the Member desiring to make the inspection, (2) hours and days of the week when such an inspection may be made, and (3) payment of the cost of reproducing copies of documents requested by a Member (see Ca. Corp. 8333).

Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of the Association of every kind, and to inspect the physical properties of the Association (see Ca. Corp. § 8333).

Section 4.07. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by vote of the Members of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. A vacancy or vacancies shall be deemed to exist in case of death, resignation, removal, or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. The Board may, at its discretion, declare vacant the position of any Director who is absent from three (3) consecutive regular meetings of the Board of Directors.

Section 4.08. Removal of Directors. At any regular or special meeting of the Members duly called, any one or more of the Directors may be removed with or without cause by a majority vote of the Members of the Association, and a successor may then be elected to fill the vacancy created by such removal. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting before any votes are cast on the proposed removal. Where the entire Board of Directors is not removed at one time, no Director shall be removed if the number of votes cast against his removal exceeds the quotient arrived at when the total number of Lots in the Properties is divided by one (1) plus the authorized number of Directors.

Section 4.09. Meetings of Board.

(a) Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such time and place determined by the Board of Directors. Notice shall not be required if a specified time and place for regular meetings has been fixed by the Board or these Bylaws (See Ca. Corp § 7211(a)(2)).

(b) Special Meetings. Special meetings of the Board of Directors may be called by the President, the Vice President, the Secretary, or by any two (2) Directors, provided the required notice stating the time, place, and purpose of such special meeting shall be given as set forth in Section 4.10 below (See Ca. Corp § 7211(a)(1)).

(c) Executive Sessions. The Board of Directors may meet in, or adjourn to, executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, or personnel matters (including election of officers) (See Ca. Civ. § 1363.05(b)).

Section 4.10. Notice of Meetings. Notice of the time and place of meetings of the Board of Directors shall be given as follows:

(a) Notice to each Director may be given in person or by electronic mail, telephone, or facsimile at least forty-eight (48) hours in advance of such meeting, or, if notice be given by first class mail, at least four (4) days in advance of such meeting (See Ca. Corp. § 7211(a)(2)).

(b) Notice to Association Members shall be posted at the designated place within the Common Area at least four (4) days in advance of such meeting, and may also be included in a newsletter published by the Association (See Ca. Civ. § 1363.05(g)).

Section 4.11. Waiver of Notice.

(a) Before or at any meeting of the Board of Directors, any Director may, in writing, waive personal notice of said meeting and such waiver shall be deemed equivalent to the giving and receiving of such notice. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required.

(b) The actions taken at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if (1) a quorum be present, (2) notice to the Members of such meeting was posted in the manner provided for in Section 4.10, and (3) either before or after the meeting, each of the Directors not present signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof.

(c) Notwithstanding the provisions of Section 4.12(b), the requirement of four (4) days notice to Members shall be waived in the event an emergency meeting of the Board is called by the President or by any two Directors other than the President, and if circumstances that could not have been reasonably foreseen require immediate action by the Board (*see* Ca. Civ. § 1363.05(h)).

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

Section 4.12. Member Attendance at Board Meetings. All regular and special meetings of the Board of Directors, except the election meeting and other meetings designated as executive sessions, shall be open to all Members. However, Members who are not Directors may not participate in deliberations or discussions at such meetings unless expressly authorized by vote of a majority of Directors present at the meeting in question.

Section 4.13. Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all the members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors.

Section 4.14. Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.

(a) If at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present shall adjourn the meeting to another time and place. When the meeting reconvenes, any business which might have been transacted at the meeting as originally called may be transacted without further notice, provided a quorum is present at such adjourned meeting.

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

Section 4.15. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

Section 4.16. Committees. Standing Committees shall be: Architectural Review Committee ("ARC"), Pool Committee, Landscape Committee, and Finance and Legal Committee. Standing Committees shall be appointed by the President, subject to ratification by the Board of Directors. In addition, the Board of Directors may designate such advisory or special committees as it desires, and may establish the purposes and powers of each committee created. The resolution designating and establishing any advisory or special committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes

of the committee, and shall provide for reports, termination, and other administrative matters deemed appropriate by the Board.

ARTICLE V OFFICERS

Section 5.01. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors as provided in these Bylaws. The Board may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary. The office of Secretary and Treasurer may be held by the same person, but the office of President and Secretary may not be held by the same person.

Section 5.02. Election of Officers. No later than ten (10) days following the Annual Meeting, but prior to October 1, whichever is sooner, the newly-elected Board of Directors shall meet in executive session to elect officers for the coming year. Time and place of the election meeting shall be established by the incoming Board of Directors immediately following their election and, if desired, the election meeting may be held at that time. The outgoing President shall serve as chairman of the Election Meeting, whether or not a member of the newly-elected Board. Notice to the newly elected Directors shall not be necessary if the Election Meeting is held on the same day and at the same place as the Annual Meeting of the Members at which new Directors were elected, provided notice to that effect was included with notice of the Annual Meeting. Voting shall be by ballot, and a majority vote shall elect. In the event no nominee receives a majority vote on the first ballot, members of the Board shall cast a second ballot for one of the two candidates receiving the highest number of votes cast. No other business may be considered by the incoming Board at the election meeting.

Section 5.03. Term of Office. Each officer shall serve a term of one (1) year beginning October 1. If at the conclusion of such term no successors have been elected, the outgoing officers and board members shall continue in office until new officers have been elected, whether or not they are members of the incoming Board of Directors.

Section 5.04. Compensation. Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized or ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of a majority of Members of the Association. Nothing herein contained shall be construed to preclude any officer from serving the Association in some other capacity and receiving compensation therefor, and any officer may be reimbursed for actual expenses incurred in the performance of his duties. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent, or employee.

Section 5.05. President. The President is the chief executive officer of the Association, and he shall see that all orders and resolutions of the Board of Directors are carried out. He shall preside over all meetings of the Association and of the Board of Directors. The President shall be ex officio a member of all standing committees, and it shall be his duty to see that all committees function and that all officers fulfill their duties. He shall be one of the officers authorized by the Board of Directors to sign checks, drafts, orders, or other instruments in the name of the Association. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Article IV, Section 4.16, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business of the Association. Directors nominated for the office of President shall have previously served at least one (1) year on the Board of Directors of the Association. Directors are eligible for election to only two (2) consecutive terms as President.

Section 5.06. Vice President. The Vice President shall perform the duties and exercise the powers of the President during the absence or disability of the President, and shall succeed to the office of President in the event that office becomes vacant. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The

Vice President shall be one of the officers authorized by the Board of Directors to sign checks, drafts, orders, or other instruments in the name of the Association, and shall also perform such other duties as shall from time to time be delegated to him by the Board of Directors or these Bylaws.

Section 5.07. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the Association at the principal office of the Association or at such other place as the Board may direct. The Secretary shall keep the seal of the Association in safe custody and shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Members of the Association and of the Board of Directors required by these Bylaws or by law to be given. The Secretary shall maintain, or cause to be maintained, a record of Members, listing the names and addresses of the Members as furnished to the Association. Termination or transfer of ownership of any Lot by a Member shall be recorded in the record of Members, together with the date on which such ownership was transferred, in accordance with the provisions of the Declaration. The Secretary shall perform such other duties as may be prescribed by the Board of Directors.

Section 5.08. Treasurer. The Treasurer shall be the chief disbursing officer of the Association and shall be one of the officers authorized to sign checks, drafts, and orders for payment of money in the name of the Association. He shall receive and deposit all money, securities, and other valuable effects in such depositories as may be directed by the Board of Directors. He shall keep in books belonging to the corporation full and accurate accounts of all receipts and disbursements, assets and liabilities, tax records, and business transactions of the Association. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Declaration, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial condition of the association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, by law, or by these Bylaws.

Section 5.09. Removal or Resignation of Officers. Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed from office (but not from the Board of Directors), either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting called for that purpose. However, no officer shall be so removed until he has been served with written notice of the charges against him and has been given an opportunity to produce, before the Board of Directors, evidence to refute such charges. Any officer may resign from office at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be required to make it effective.

ARTICLE VI OBLIGATIONS OF MEMBERS

Section 6.01. Assessments.

(a) All Members are obligated to pay, in accordance with the provisions of the Declaration, all assessments imposed by the Association, to meet all expenses of the Association.

(b) All delinquent assessments shall be enforced, collected, or foreclosed in the manner provided in the Declaration.

Section 6.02. Maintenance and Repair.

(a) Every Member must perform promptly, at his sole cost and expense, such maintenance and repair work on his Lot as is required under the provisions of the Declaration. As further provided in the Declaration, all plans for alterations and repair of Improvements on the Lots within the Properties must receive the prior written consent of the ARC. The ARC shall establish reasonable procedures for the granting of such approval, in accordance with the Declaration.

(b) As further provided in the Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Area owned by the Association, the Structural Maintenance Areas or the Landscape Maintenance Areas which are damaged through the fault of such Member. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these Bylaws or the Declaration.

ARTICLE VII MORTGAGEES

Section 7.01. Notice to Association. A member who mortgages his Lot shall notify the Association through the Manager, or through the Secretary in the event there is no Manager, the name and address of his Mortgagee; and the Association shall maintain such information in a book or file entitled "Mortgagees of Lots." Any such Member shall likewise notify the Association as to the release or discharge of any such Mortgage, or of any change in name and/or address of the Mortgagee.

Section 7.02. Notice of Unpaid Assessments. The Board of Directors of the Association shall, at the request of a Mortgagee of a Lot, report any unpaid assessments due from the Owner of such Lot, in accordance with the provisions of the Declaration.

ARTICLE VIII CONFLICTING PROVISIONS

In the event of conflict between any provision of these Bylaws and any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other Bylaws shall remain in full force and effect. In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE IX INDEMNIFICATION OF DIRECTORS AND OFFICERS

Except to the extent that such liability, damage or injury is covered by insurance proceeds, the Board of Directors may or shall (as appropriate) authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, a present or former Director, officer, committee member, or employee of the Association in an action brought by a third party against such person, whether or not the Association is joined as a party defendant, to impose a liability or penalty on such person for an act alleged to have been committed by such person while a Director, officer, committee member, or employee; provided, the Board of Directors determines in good faith that such Director, officer, committee member, or employee in question was acting in good faith within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interests of the Association or its Members; and provided, further, that the payment of such expenses is otherwise permitted or required pursuant to the applicable provisions of the California Corporations Code. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. The provisions of this Section shall apply to the estate, executor, administrator, heirs, legatees, or devisees of a Director, officer, committee member, or employee, and the term "person" where used in this Article X shall include the estate, executor, administrator, heirs, legatees, or devisees of such person.

ARTICLE X MISCELLANEOUS

Section 10.01. Execution of Documents. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, director or directors, or agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent,

committee member, or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 10.02. Inspection of Bylaws. The Association shall keep in its office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members and all first Mortgagees in accordance with Article IV, Section 4.06(b) hereof.

Section 10.03. Fiscal Year. The fiscal year of the Association shall begin on the first day of September in each year.

ARTICLE XI NOTICE AND HEARING PROCEDURE

Section 11.01. Suspension of Privileges. In the event of an alleged violation of the Declaration, these Bylaws, or the Rules and Regulations of the Association, and after written notice of such alleged failure is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to be in default in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board of Directors shall have the right, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, to take any one or more of the following actions: (1) levy a Special Assessment as provided in the Declaration; (2) suspend or condition the right of said Member to use the recreational facilities owned, operated, or maintained by the Association; (3) suspend said member's voting privileges as a Member, as further provided in the Declaration; or (4) record a notice of noncompliance encumbering the Lot of the respondent. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board or the Architectural Committee to enforce the Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws shall be cumulative, and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these Bylaws, or by the Rules and Regulations of the Association, before that Member may resort to a court of law for relief with respect to any alleged violation of the Declaration, these Bylaws, or the Rules and Regulations of the Association by another Member, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments, Special Assessments, Capital Improvement Assessments or Reconstruction Assessments. (*See Ca. Civ. § 1354*)

Section 11.02. Written Complaint. A hearing to determine whether a right or privilege of the respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written complaint by any Member or by any officer or member of the Board of Directors or the ARC with the President of the Association or other presiding member of the Board. The complaint shall constitute a written statement of charges, setting forth in ordinary and concise language the acts or omissions with which the respondent is charged, and a reference to the specific provisions of the Declaration, these Bylaws or the Rules and Regulations of the Association which the respondent is alleged to have violated. A copy of the complaint shall be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a statement which shall be substantially in the following form:

Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint was delivered or mailed to you, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address: _____

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact _____.

The respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is filed with the Board of Directors within fifteen (15) days after receipt of the Complaint. The respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

Section 11.03. Forum. Upon receipt of a written Complaint as provided in Section 11.02 of these Bylaws, the President shall appoint a Hearing Committee ("Forum") of three (3) persons. In appointing the members of the Forum, the President shall refrain from appointing next-door neighbors of the respondent or any Members of the Association who are witnesses to the alleged violation giving rise to the Complaint. The decision of the President shall be final, except that the respondent may challenge any Member of the Forum for cause, where a fair and impartial hearing cannot be afforded, at any time prior to the taking of evidence at the hearing. In the event of such a challenge, the Board of Directors shall meet to determine the sufficiency of the challenge, without the President voting. If such a challenge is sustained, the President shall appoint another Member of the Association to replace the challenged member of the Forum.. All decisions of the Board of Directors in this regard shall be final. The Forum shall elect a Chairman and appoint a hearing officer who shall present evidence and ensure that a proper record of all proceedings is maintained.

Section 11.04. Notice of Hearing. At least fifteen (15) days prior to the date set for the hearing, the Forum shall serve a notice of hearing, as provided herein, on all parties, if such hearing is requested by the respondent. The hearing shall be held no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 11.02 above. (See Ca. Civ. § 1363(h).) The notice to the respondent shall be substantially in the following form but may include other information:

You are hereby notified that a hearing will be held before a Forum appointed by the President of Morningside Woods Homeowners Association at _____ on the ____ day of _____ 20__, at the hour of _____, upon the charges made in the Complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association.

Section 11.05. Hearing.

(a) Whenever the Forum has begun hearing the matter and a member of the Forum is forced to withdraw prior to a final determination by the Forum, the remaining members shall continue to hear the case and the hearing officer shall replace the withdrawing member. Oral evidence shall be taken only on oath or affirmation administered by an officer of the Association. The use of affidavits and written interrogatories in lieu of oral testimony shall be encouraged by the Forum.

(b) Each party shall have the right to call and examine witnesses; to introduce exhibits; to cross-examine witnesses on any matter relevant to the issues; to impeach any witness; and to rebut the evidence against him. If respondent does not testify in his own behalf he may be called and examined as if under cross-examination.

(c) The hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding, unless it would be admissible over objection in civil actions. The

rules of privilege shall be effective to the extent that they are otherwise required by statute to be recognized at the hearing, and irrelevant and unduly repetitious evidence shall be excluded.

(d) Neither the accusing Member nor the allegedly defaulting Member must be in attendance at the hearing. The hearing shall be open to attendance by all Members of the Association, to the extent of the permissible capacity of the hearing room. In rendering a decision, official notice may be taken at any time of any generally accepted matter within the Declaration, these Bylaws, the Rules and Regulations of the Association, or the workings of the Association. Parties present at the hearing shall be informed of the matters to be noticed by the Forum, and these matters shall be made a part of the record of proceedings. The Forum may grant continuances on a showing of good cause.

Section 11.06. Decision. If the respondent fails to file a Notice of Defense as provided in Section 11.02 of these Bylaws, or fails to appear at a hearing, the Forum may take action based upon the evidence presented to it without further notice to the respondent. However, the respondent may make any showing by way of mitigation. The Forum will prepare written findings of fact and recommendations for consideration by the Board of Directors. The Forum shall make its determinations only in accordance with these Bylaws. After all testimony and documentary evidence has been presented to the Forum, the Forum shall vote by secret written ballot upon the matter, with a majority of the entire Forum controlling. A copy of the findings and recommendations of the Forum shall be posted by the Board of Directors at a conspicuous place on the Common Area, and a copy shall be served by the President on each party in the matter and his attorney, if any, within ten (10) days following decision. (See Ca. Civ. § 1363(h)). Disciplinary action and levy of a Special Assessment under the Declaration, these Bylaws or the Rules and Regulations of the Association shall be imposed only by the Board of Directors and in accordance with the findings and recommendations of the Forum. The Board of Directors may adopt the recommendations of the Forum in their entirety, or the Board may reduce the proposed penalty and adopt the balance of the recommendations. In no event shall the Board of Directors impose more stringent disciplinary action than recommended by the Forum. The decision of the Board shall be in writing and shall be served and posted in the same manner as the findings and recommendations of the Forum. The decision of the Board shall become effective ten (10) days after it is served upon the respondent, unless otherwise ordered in writing by the Board or Directors. The Board may order a reconsideration at any time within fifteen (15) days following service of its decision on the parties, on its own motion or on petition by any party.

ARTICLE XII AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Association at any regular meeting or special meeting called for that purpose by the vote or written consent of Members representing a majority of the voting power of the Association. The prior written approval of each institutional holder of a first deed of trust lien of record made in good faith and for value on a Lot in the Properties must be secured before any material amendment to these Bylaws may take effect, which adversely affects the rights of any such institutional holder, and this sentence may not be amended without such prior written approval. The term "institutional holder" as used herein shall mean a Mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

ARTICLE XIII PARLIAMENTARY AUTHORITY

Meetings of the Board of Directors and the membership of the Association shall be conducted in accordance with Roberts Rules of Order, Newly Revised, which shall be the parliamentary authority on all matters not covered by these Bylaws (See Ca. Civ. § 1363(d)).

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

- (1) I am the duly elected and acting Secretary of MORNINGSIDE WOODS HOMEOWNERS ASSOCIATION, a California nonprofit, mutual benefit corporation ("Association"); and
- (2) The foregoing Bylaws, comprising 14 pages including this page, constitute the Bylaws of the Association duly amended by vote of the Membership on September 14, 2002.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Association this 14th day of September, 2002.



Frederick C. Freathy, Secretary

ATTEST:



Sharon L. Hill, President