

State
of
California

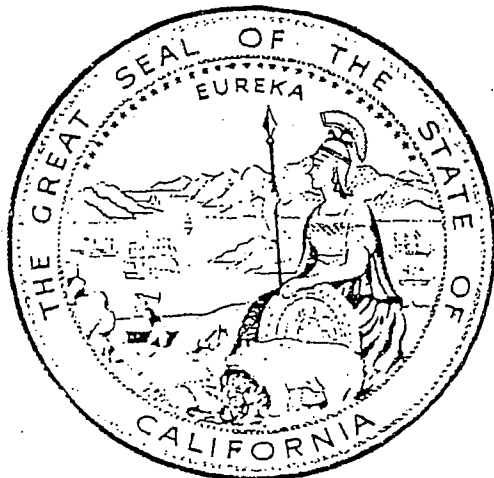
OFFICE OF THE SECRETARY OF STATE

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

FEB 15 1985



March Fong Eu

Secretary of State

BYLAWS
of
PRINCETON TOWNHOMES MAINTENANCE ASSOCIATION

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BYLAWS

of

Princeton Townhomes Maintenance Association

ARTICLE I

Definitions

All terms as used in these Bylaws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions recorded on _____, 198_, Instrument No. _____ of Official Records of Orange County, California, and any amendments thereto (the "Declaration"). All of the terms and provisions of said Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE II

Office

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

ARTICLE III

Members

Section 1 - Membership. Every person or entity who is an Owner shall be a Member as provided in the Declaration. The provisions of these Bylaws, which are binding upon all Members, are not exclusive, as Members shall also be subject to the terms and provisions of the Articles, the Declaration, and Association Rules.

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

Section 3 - Voting Rights. The Association shall have the classes of voting membership and the same voting rights and requirements set forth in the Declaration, provided that as long as there is a Class B membership and unless otherwise herein set forth, any provisions in these Bylaws which require approval by a prescribed percentage of membership votes for any action to be taken by the Association shall expressly require approval by the vote or written consent of the prescribed percentage of both the Class A and Class B membership.

Section 4 - Membership Certificates. In its discretion, the Board may, but need not, issue appropriate membership certificates evidencing membership in the Association. Such certificates will be issued, if at all, in the manner prescribed in Section 7313 of the California Corporations Code.

Section 5 - Plural Memberships. A Member shall be entitled to more than one (1) vote in the Association by complying with the qualifications of membership as to more than one (1) Residence as set forth in the section entitled "Owner", of the Article entitled "Definitions" of the Declaration.

Section 6 - Assessments. The Members shall be jointly, severally and personally liable for the payment of such Assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration and these Bylaws.

Section 7 - Enforcement of Payment of Assessments. Should any Member fail to pay his Assessments before delinquency, the Association, in the discretion of the Board, shall have the right to enforce payment of such delinquent Assessments pursuant to the Declaration.

Section 8 - Association Rules; Enforcement. The following provisions shall govern the promulgation of the Association Rules authorized by the Declaration which shall include the establishment of a system of fines and penalties:

(a) The Board in its discretion shall adopt such rules and regulations as are consistent with and in furtherance of existing law, the Declaration, the Articles and these Bylaws. Such rules and regulations shall take effect as the Association Rules.

(b) The Board in its discretion shall adopt a list of specific fines and penalties for the violation by any Member of the provisions of the Declaration, the Articles, these Bylaws and the Association Rules. Such fines and penalties shall be binding on all Members. Such a remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, the Declaration, the Articles, the Bylaws and the Association Rules.

(c) Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:

(i) A written statement of the alleged violations shall be provided to any Member against whom such charges are made, and such written statement shall provide a date on which the charges shall be heard.

(ii) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least thirty (30) days prior to that hearing.

(iii) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges.

(iv) The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairman) who may or may not be Members, and who shall hear the charges and evaluate the evidence of the alleged violation.

(v) At such hearing the Member so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses.

(vi) The panel shall deliver to the Member so charged within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor.

(d) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV

Meetings of Members

Section 1 - Place of Meeting. All meetings of Members shall be held within the Covered Property or as close thereto as possible within the County of Orange, State of California as may be fixed from time to time by resolution of the Board.

Section 2 - Annual Meetings. The first annual meeting of the Members shall be held in Orange County, within forty-five (45) days after fifty-one percent (51%) of the Residences located within the Covered Property authorized for sale under the first public report for the subdivision have been sold, or within six (6) months after the sale of the first Residence, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour set forth in the notice given pursuant to the Section entitled "Notice of Meetings" of this Article; provided, however, that the Board by resolution may fix a date for each such subsequent meeting no more than thirty (30) days before or after said date. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3 - Special Meetings. Special meetings of the Members for any purpose shall be called by the Board upon (a) the vote by a majority of a quorum of the members of the Board, (b) receipt of a written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association, (c) the request of the President, (d) the request of the Chairman of the Board, if one exists, or (e) the request of any other person or persons entitled to call such a meeting under Section 7510(e) of the California Corporations Code. Upon request in writing to the Chairman of the Board, President, Vice President or Secretary by any person (other than the Board) entitled to call a special meeting of the Members, the officer forthwith shall cause notice to be given to the Members entitled to vote that a meeting will be held at a time fixed by the Board not less than thirty-five (35) days nor more than ninety (90) days after the receipt of the request.

Section 4 - Notices of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice through the first class mail, postage prepaid, to his address appearing on the books of the Association, or supplied by him to the Association for the purpose of notice. All such notices shall be sent to each Member entitled thereto not less than ten (10) days nor more than ninety (90) days before each meeting, and shall specify the place, the date and the time of such meeting, and: (1) in the case of a special meeting, the general nature of the business to be transacted; or (2) in the case of the regular meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members. The notice of any meeting at which Board members are to be elected shall include the names of all those who are nominees at the time the notice is given.

When any meeting of Members, either annual or special, is adjourned for more than thirty (30) days or if the time and place for the adjourned meeting is not announced at the original meeting or if a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given in the manner prescribed for the original meeting.

Section 5 - Quorum. The presence at the meeting of Members or proxies or any combination thereof, entitled to cast fifty percent (50%) of the voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws. If any meeting cannot be held because a quorum is not present, a majority of the Members present, either in person or by proxy, may adjourn the meeting to a fixed time not less than five (5) days, nor more than thirty (30) days from the time the original meeting was called. The quorum at an adjourned meeting shall be twenty-five percent (25%) of the 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 provided for regular meetings.

Section 6 - Approval of the Members. Except where a greater portion of the voting power is required by the Articles, the Declaration, or these Bylaws, a majority of the votes represented, in person or by proxy, and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) shall constitute approval of the Members and prevail at all meetings. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the voting power required to constitute a quorum.

Any action which may be taken by the vote of the Members at a regular or special meeting, except the election of directors, may be taken without a meeting if done in compliance with the following provisions:

(a) The Association must distribute a written ballot to every Member entitled to vote on the matter which shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide the time within which to return the ballot to the Association, which shall be not less than fifteen (15) days from the date that the written ballot is distributed to the Members.

(b) Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve such action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(c) Ballots shall be solicited in a manner consistent with the requirements of Section 4 above (Notices of Meetings). All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted and shall otherwise comply with the requirements of Sections 7511(b), 7513 and 7514 of the California Corporations Code.

(d) A written ballot may not be revoked.

Section 7 - Proxies. Pursuant and subject to the provisions of Sections 7514 and 7613 of the California Corporations Code, every Member entitled to vote or execute consents shall have the right to do so either in person, or by an agent or agents authorized by a written proxy executed by such Member or his duly authorized agent and filed with the Secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution; and provided further that in no event shall a proxy continue in force after the person granting such proxy is no longer a Member of the Association as provided in Sections 1 and 2 of Article III hereof.

ARTICLE V

Directors

Section 1 - Powers. In addition to the powers and duties of the Board as set forth in the Declaration, the Articles, or elsewhere in these Bylaws, and subject to limitations of the Articles, the Declaration, or these Bylaws, and of the California Corporations Code as to action to be authorized or approved by the Members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by the Board. Without prejudice to such general powers but subject to the same limitations, the Board is vested with and shall have the following powers; to wit:

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

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

(c) To fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes for this Association to which the assets of this Association shall be distributed upon liquidation or dissolution according to the Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association and after distribution of all property held or acquired by the Association under the terms of a specific trust or trusts.

(d) To adopt and use a corporate seal.

(e) By resolution, create one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board and to have, to the extent provided in the resolution, all the authority of the Board except that such committee or committees may not have the powers which are made nondelegable by Section 7212 of the California Corporations Code.

Section 2 - Number and Qualification of Directors. The Board shall consist of five (5) directors until changed by an amendment to this Section of these Bylaws, fixing or changing such number. A person may serve as a director without being a Member.

Section 3 - Election and Term of Office. Until the holding of the first annual meeting of the Members referred to in the Article of these Bylaws entitled "Meetings of Members", the Board shall consist of those directors named by the incorporator(s) of this Association. All directors shall be elected at the first annual meeting and each subsequent annual meeting of Members for concurrent annual terms, but if any such annual meeting is not held, or if the directors are not elected thereat, the directors may be elected for concurrent annual terms, at any special meeting of Members held for that purpose. Should the Articles or these Bylaws be amended to provide that the number of director positions be increased to more than five (5), the terms of such directors shall no longer be concurrent as provided herein. Said amendment shall further establish terms of office for all existing and newly created positions which shall be staggered and which shall be concurrent for not less than three (3) members. For example, if there are seven directors, elections and terms of office may only be staggered three-four. If there are nine director positions, elections and terms may be staggered five-four, six-three or three-three-three. Election of directors shall be by secret written ballot. All directors shall hold office until their respective successors are elected.

Section 4 - Cumulative Voting. Every Member entitled to vote for any election of directors shall have the right to cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which he is entitled, or to distribute his votes on the same

principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. No Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting and the Member has given notice at the meeting prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

Section 5 - Special Voting Rights of Members Other Than Declarant. The Members other than Declarant shall be entitled to elect not less than twenty percent (20%) of the total number of directors, all as set forth in Section 5 of Article II of the Declaration. Notwithstanding the provisions of the Section herein entitled "Removal of Directors," any director so elected may not be removed without the vote of a majority of the voting power residing in Members other than the Declarant.

Section 6 - Election Committee. An Election Committee shall be appointed annually by the Board to make rules for and supervise nominations, voting procedures, voting requirements and the orderly and fair election of directors. Such Committee shall establish reasonable nomination and election procedures which shall not conflict with the procedures set forth herein and which shall include (a) a reasonable means of nominating persons for election as directors, (b) a reasonable opportunity for a nominee to communicate his qualifications and reasons for his candidacy, and (c) a reasonable opportunity for all nominees to solicit votes. The Election Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) other persons who shall be Members; provided, however, so long as any Class B memberships are outstanding the Board may appoint persons who are not Members to the Election Committee. The Election Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

If the Association has five hundred (500) or more Members, any person who is qualified to be elected to the Board may also be nominated by petition delivered to an officer of the Association, signed within eleven (11) months preceding the next time directors will be elected, by Members representing: (a) two percent (2%) of the voting power (if the number of votes eligible to be cast for director, disregarding any provision for cumulative voting, is under five thousand (5,000); or (b) one-twentieth (1/20th) of one percent (1%) of the voting power but not less than one hundred (100) (if the number of votes eligible to be cast for director, disregarding any provision for cumulative voting, is five thousand (5,000) or more).

Section 7 - Removal of Directors. At any special meeting of the Members of which notice has been properly given as provided in these Bylaws, the entire Board or any individual director may be removed from office as hereinafter set forth, provided that the same notice of said special meeting has also been given to said entire Board or any individual director whose removal is to be considered at said special meeting. The entire Board or any individual director may be removed from office without cause by a majority of the votes cast in the voting on any motion or resolution for removal (if such affirmative votes also constitute a majority of the required quorum) provided, however, that if the Association has fewer than fifty (50) Members, then such removal must be approved by an affirmative vote of a majority of all the votes entitled to be cast. However, unless the entire Board is removed, an individual director shall not be removed prior to the expiration of his term of office when the votes cast against removal or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Upon any such motion or resolution for removal, every Member may cumulate his vote or votes, as the case may be, in the same manner as provided for the election of directors in these Bylaws. In the event that any or all directors are so removed, new directors may be elected at the same meeting. Notwithstanding the foregoing, a director elected pursuant to the special voting rights set forth in the Declaration and Article V, Section 5 of these Bylaws may only be removed by the vote or written assent of a majority of the Members other than Declarant.

Section 8 - Vacancies. Vacancies on the Board, except for a vacancy created by the removal of a director, may be filled by a vote of a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose. The Board shall be prohibited from filling a vacancy created by the removal of a director or directors except with the vote or written assent of a majority of the voting power of the Members other than the Declarant. If the Board is not so authorized to act, vacancies occurring in the Board by reason of the removal of a director or directors may be filled only by approval of the Members by vote at a duly held meeting.

A vacancy or vacancies shall be deemed to exist on the Board in case of the death, resignation or removal of any director. If the Members shall increase the authorized number of directors but shall fail to elect the additional directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized directors, a vacancy or vacancies shall be deemed to exist.

The Members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of directors.

If any director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Notwithstanding the foregoing, a vacancy caused by the death, resignation or removal of any director elected pursuant to the special voting rights set forth in Section 5 of Article II of the Declaration may only be filled by the vote of a majority of the voting power of the Members other than Declarant.

Section 9 - Place of Meeting. All meetings of the Board shall be held within the Covered Property.

Section 10 - Regular Meeting. Immediately following each annual meeting of the Members, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Other regular meetings of the Board may be held without call at such place and day and hour as may be fixed from time to time by resolution of the Board provided, should said day fall upon a legal holiday, then the meeting which otherwise would be held on said day shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of the time and place of any regular meeting shall be posted at a prominent and accessible place or places within the Covered Property, and shall be communicated to directors not less than four (4) days prior to the meeting. In no event shall regular meetings of the Board be held less than once every six (6) months.

Section 11 - Special Meetings - Notices. Special meetings of the Board for any purpose may be called at any time by the President, or by any two (2) directors other than the President.

Written notice of the time and place of a special meeting and the nature of any special business to be considered thereat shall be posted in a prominent and accessible place or places in the Covered Property not less than four (4) days prior to the meeting, and shall also be either delivered personally to the directors or sent to each director by letter or by telegram, postage or charges prepaid, addressed to him at his address as it is shown upon the records of the Association. In case such notice is mailed or telegraphed, it shall be deposited in the United States Mail or delivered to the telegraph company at or near the place in which the principal office of the Association is located at least four (4) days (if by mail) or seventy-two (72) hours (if by telegraph) prior to the scheduled time of the meeting. In case such notice is delivered personally to the directors, such delivery must occur not less than seventy-two (72) hours prior to the scheduled time of the meeting. Such mailing, telegraphing or delivery as provided herein shall be due, legal and personal notice to each such director.

Section 12 - Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If a Board meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of adjournment.

Section 13 - Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed to the directors, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and each director who attends does so without protesting either prior thereto or at its commencement, the lack of notice to such director, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 14 - Quorum. A majority of the number of directors as fixed by the Articles or these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinbefore provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. 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 at least a majority of the required quorum for such meeting, or such greater number as is required by statute, the Declaration, the Articles, or these Bylaws.

Section 15 - Consent of Board Obviating Necessity of Meeting. Notwithstanding anything to the contrary contained in these Bylaws, any action required or permitted to be taken by the Board may be taken without a meeting if all 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. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after such written consents have been obtained. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 16 - Fees and Compensations. No director or officer shall receive any compensation for services performed in the conduct of the Association's business without the vote or written assent of a majority of the Applicable Voting Power provided, however, that the directors may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

Section 17 - Presiding Officer. The President shall preside at all meetings of the Board and Members.

Section 18 - Indemnification of Directors, Officers and Employees.

(a) For the purposes of this Section, "agent" means any person who is or was a director, officer, employee or other agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under paragraph (d) or subparagraph (e) (3) of this Section.

(b) The Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the Association to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in

the best interests of the Association or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) The Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this paragraph (c):

(i) In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Association in the performance of such person's duty to the Association, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine.

(ii) Of amounts paid in settling or to otherwise disposing of a threatened or pending action, with or without court approval.

(iii) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

(d) To the extent that an agent of the Association has been successful on the merits in defense of any proceeding referred to in paragraph (b) or (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in paragraph (d), any indemnification under this Section shall be made by the Association only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c), by:

(i) A majority vote of a quorum consisting of directors who are not parties to such proceeding.

(ii) Approval of the Members. For purposes of determining the required quorum of any meeting of Members called to approve indemnification of an agent and the vote or written consent required therefor, the vote of any Member to be indemnified shall not be considered outstanding and shall not be entitled to be cast thereon.

(iii) The court in which such proceeding is or was pending, upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Association.

(f) Expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Section.

(g) This Section shall create a right of indemnification for each person referred to in this Section, whether or not the proceeding to which the indemnification related arose in whole or in part prior to adoption of this Section, and in the event of the death of such agent, whether before or after initiation of such proceeding, such right shall extend to such person's legal representatives. This Section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the Association as defined in paragraph (a). Nothing contained in this Section shall limit any right to indemnification to which such a trustee, investment manager or other

fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this Section. In addition, to the maximum extent permitted by applicable law, the right of indemnification hereby given shall not be exclusive of or otherwise affect any other rights such agent may have to indemnification, whether by law or under any contract, insurance policy or otherwise.

(h) No indemnification or advance shall be made under this Section, except as provided in paragraph (d) or subparagraph (e) (3), in any circumstance where it appears:

(i) That it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Members or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(ii) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(i) Upon determination by the Board, the Association may purchase and maintain insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under the provisions of this Section. The premiums on such insurance shall constitute Common Expenses.

(j) Upon the written request of any agent of the Association who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, the Board shall meet within ten (10) days of such request and shall determine whether indemnification of such agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c).

Section 19 - Records. The Board shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of Members or at any special meeting where such statement is requested in writing by one-fourth (1/4) of the Members entitled to vote thereat.

Section 20 - Attendance of Board Meetings by Members. Regular and special Board meetings shall be open to all Members; provided, however, no Member who is not an officer or director shall participate in any deliberation or discussion unless expressly authorized by a majority of a quorum of the Board. The Board may, upon the vote of a majority of the Board's quorum, adjourn a Board meeting and reconvene in executive session exclusive of all Members who are not directors to discuss and vote upon personnel matters, litigation in which the Association is involved and other similar matters requiring confidentiality. The nature of any and all business to be so considered in executive session shall be announced in open session.

ARTICLE VI

Officers

Section 1 - Officers. The officers shall be a President, a Vice President, a Secretary and a Treasurer, which officers shall be elected by and hold office at the pleasure of the Board. Any two (2) or more of such offices, except those of President and Secretary may be held by the same person. All offices except the President and Vice President may be held by someone who is not a member of the Board.

Section 2 - Election. The officers of the Association, except such officers as may be appointed in accordance with the provisions of the Sections entitled "Subordinate Officers" and "Vacancies" of this Article shall be chosen annually by the Board and each shall hold his office until he shall resign or shall be removed or otherwise be disqualified to serve, or until his successor shall be elected and qualified.

Section 3 - Subordinate Officers. The Board may appoint such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4 - Removal and Resignation. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting of the Board at which a quorum is present.

Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Association. Any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5 - Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6 - President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Association and shall generally preside at all meetings of Members and the Board. He shall be an ex-officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have other powers and duties as may be prescribed by the Board or these Bylaws.

Section 7 - Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon the office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or the Bylaws.

Section 8 - Secretary. The Secretary shall keep, or cause to be kept, a book of Minutes at the principal office or such other place as the Board may order, of all meetings of directors and Members, with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present or represented at Members' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office, a membership register showing the following: (1) the names and addresses of all members of the Board; (2) the names of the Members and their addresses; (3) the property to which each membership relates; (4) the number of Residences owned by each Member; (5) the number of votes represented by each Member; (6) the number and date of membership certificates issued, if any; and (7) the number and date of cancellation of membership certificates, if any.

The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by the Bylaws or by law to be given, and he

shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

Section 9 - Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association. The books of account shall at all reasonable times be open to inspection by any director or by any Member.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VII

Miscellaneous

Section 1 - Record Date and Closing Membership Register. The Board may fix a time, in the future, not exceeding sixty (60) days nor less than ten (10) days preceding the date of any annual or special meeting of the Members or the mailing of written ballots, as a record date for the determination of the Members entitled to notice of any such meeting, or to be sent such written ballots, and in such case only Members of record on the date so fixed shall be entitled to notice of such meeting notwithstanding any transfer of any membership on the books of the Association after any record date so fixed. For the purpose of determining such record date, the Board may close the books of the Association against transfer of membership during the whole, or any part, of any such period.

Section 2 - Inspection of Corporate Records.

(a) The membership register, voting rights, books of account and minutes of meetings of the Members, of the Board and any committees of the Board, shall be made available for inspection and copying by any Member or his duly-appointed representative at any reasonable time and for a purpose reasonably related to his interest as a Member, at the principal office of the Association or such other place within the Covered Property as the Board shall prescribe, all as provided in Sections 8330, 8331 and 8332 of the Corporations Code of the State of California.

(b) The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Member desiring to make the inspection; hours and days of the week when such inspection may be made; and payment of the cost of reproducing copies of documents requested by a Member.

(c) 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, all as provided in the Corporations Code of the State of California. Without limiting the generality of the foregoing, the right of inspection by a director includes the right to make extracts and copies of documents.

Section 3 - Checks and Drafts. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such officer or officers and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 4 - Contracts; How Executed. The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 5 - Annual Report and Other Financial Information.

The following financial information shall be regularly prepared and distributed by the Board to all Members regardless of the number of Members or the amount of assets of the Association:

(a) A budget for each fiscal year consisting of at least the following information shall be distributed not less than forty-five (45) days prior to the beginning of the fiscal year:

(i) Estimated revenue and expenses on an accrual basis.

(ii) The amount of the total cash reserves of the Association currently available for replacement or major repair of Community Facilities and other areas for which the Association is responsible and for contingencies.

(iii) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of, the Community Facilities and any other areas for which the Association is responsible.

(iv) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Community Facilities and any other areas for which the Association is responsible.

(b) Within sixty (60) days of the Accounting Date (as hereinafter defined) the Board shall cause to be sent to each Member:

(i) A balance sheet as of the Accounting Date.

(ii) An income statement for the period from the date of the first conveyance of a Residence to the Accounting Date. Said income statement shall include a schedule of Assessments received or receivable, itemized for each Residence within the Covered Property and by the name of the person or entity assessed therefor.

As used in this subsection, "Accounting Date" shall mean the last day of the month closest in time to six (6) months from the date of the first conveyance of a Residence.

(c) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(i) A balance sheet as of the end of the fiscal year.

(ii) An operating (income) statement for the fiscal year.

(iii) A statement of changes in financial position for the fiscal year.

(iv) For any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000), a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

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

(e) In addition to financial statements, the governing body shall annually distribute within sixty (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 Assessments, including the recording and foreclosing of liens against a Member's Residence.

Section 6 - Inspection of Bylaws. The Association shall keep in its principal office for the transaction of business the original or a copy of the Bylaws as amended, certified by the Secretary, which shall be open to inspection by all of the Members at all reasonable times.

Section 7 - Singular Includes Plural. Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include the feminine.

Section 8 - Conflicts. In the 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 VIII

Amendments

Section 1 - Powers of Members. The Bylaws may be adopted, amended or replaced only by the vote or written assent of the following:

(a) As long as there are Class A and Class B Members, a majority of the voting power of each class of membership.

(b) After the Class B membership has been converted to Class A membership, by a majority of the voting power of the Association and a majority of the votes of Members other than Declarant.

Notwithstanding the provisions above, the percentage of the voting power of each class of Members or of the total voting power of the Association or of Members other than Declarant necessary to amend a specific clause or provision in the Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Section 2 - Record of Amendments. Whenever an amendment or addition to the Bylaws is adopted it shall be placed in the book of Bylaws in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

Section 3 - FHA/VA Approval. If so provided in the Declaration, or any amendments thereto or in any Supplementary Declaration recorded pursuant thereto, no amendment to these Bylaws shall be effective without the prior approval of the FHA and/or VA.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

- (1) That I am the duly elected and acting secretary of the Princeton Townhomes Maintenance Association, a California nonprofit mutual benefit corporation; and
- (2) That the foregoing Bylaws, comprising 17 pages constitute the original Bylaws of said corporation as duly adopted at the first meeting of the Board of Directors thereof duly held on _____.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this ___ day of _____, 198_.

Secretary