

BY-LAWS
OF
STARLIGHT RIDGE HOMEOWNERS ASSOCIATION
A NON-PROFIT MUTUAL BENEFIT CORPORATION

BY-LAWS
OF
STARLIGHT RIDGE HOMEOWNERS ASSOCIATION

Article I - Plan of Association Membership

- Section 1 - Name
- Section 2 - Definitions
- Section 3 - By-Laws Applicability
- Section 4 - Eligibility of Members
- Section 5 - Assessment Obligation
- Section 6 - Termination and Transfer of Membership

Article II - Voting, Majority of Members, Quorum, Proxies

- Section 1 - Voting
- Section 2 - Majority of Members
- Section 3 - Quorum
- Section 4 - Proxies
- Section 5 - Election of Board

Article III - Administration

- Section 1 - Association Responsibilities
- Section 2 - Place of Meeting
- Section 3 - Annual Meetings
- Section 4 - Special Meetings
- Section 5 - Notice of Meetings
- Section 6 - Adjourned Meetings
- Section 7 - Action Without a Meeting
- Section 8 - Order of Business
- Section 9 - Fiscal Year

Article IV - Board of Directors

- Section 1 - Number and Qualifications
- Section 2 - Powers and Duties
- Section 3 - Other Duties
- Section 4 - Management Agent
- Section 5 - Election and Term of Office
- Section 6 - Vacancies
- Section 7 - Removal of Board Members
- Section 8 - Organization Meeting
- Section 9 - Regular and Special Meetings
- Section 10- Open Meetings and Notice of Members
- Section 11- Quorum
- Section 12- Fidelity Bonds
- Section 13- Financial Reports

Article V - Officers

- Section 1 - Description
- Section 2 - Election and removal of Officers
- Section 3 - President
- Section 4 - Vice President
- Section 5 - Secretary
- Section 6 - Treasurer
- Section 7 - Execution of Documents

Article VI - Indemnification

Article VII - Mortgages

- Section 1 - Notice of Unpaid Assessments

Article VIII - Enforcement

- Section 1 - Suspension
- Section 2 - Fines
- Section 3 - Remedies Cumulative
- Section 4 - Attorney's Fees

Article IX - Amendments

Article X - Conflicts

Article XI - Inspection of Books and Records

BY-LAWS
OF
STARLIGHT RIDGE HOMEOWNERS ASSOCIATION

ARTICLE I
PLAN OF ASSOCIATION MEMBERSHIP

Section 1. Name

The name of the nonprofit mutual benefit corporation created hereby is STARLIGHT RIDGE HOMEOWNERS ASSOCIATION ("the Association"). The principal office of the Association shall be located in Riverside County, California.

Section 2. Definitions.

The following definitions shall be applicable to these By-Laws:

(a) "Annexable Property" shall mean and refer to any and all real property (including all improvements constructed thereon) which might be annexed to the Property pursuant to the Declaration.

(b) "Articles of Incorporation" shall mean and refer to the Articles of Incorporation of the Association as the same may be duly amended from time to time.

(c) "Association" shall mean and refer to Starlight Ridge Homeowners Association, a California nonprofit mutual benefit corporation, its successors and assigns.

(d) "Board" or "Board of Directors" may be used interchangeably herein and shall mean and refer to the Board of Directors of the Association as the same may, from time to time, be constituted.

(e) "By-laws" shall mean and refer to the By-laws adopted by the Association as the same may be duly amended from time to time.

(f) "Declarant" shall mean and refer to KAISER Development Company, a California corporation, and its successors and assigns if such successors and assigns acquire Declarant's rights and obligations hereunder by express written assignment which shall be recorded in the Office of the County Recorder for Riverside County.

(g) "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions, together with any amendments, supplements or modifications recorded against the Project.

(h) "Deed of Trust" shall mean and be synonymous with the word "Mortgage", and the same may be used interchangeably with the same meaning; and likewise, the word "Trustor" shall be synonymous with the word "Mortgagor", and the word "Beneficiary" shall be synonymous with the word "Mortgagee".

(i) "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, residential structures, driveways, walkways, fences, walls, retaining walls, poles, signs, trees and other landscaping.

(j) "Landscape Maintenance Area" shall mean and refer to all plantings, planted trees, shrubs, irrigation systems, walls, sidewalks and other landscaping improvements located within the landscaping easements owned by the Association and behind the curb and within the Rancho California Road and Cosmic Drive rights of way as described in the Declaration. If annexation to the Property is effected pursuant to the Declaration, the Landscape Maintenance Area shall then include (i) such portions of the Annexable Property subject to easements owned by the Association and (ii) those landscape improvements behind the curb and within the Rancho California Road right of way adjacent to the Annexable Property to be maintained by the Association. The Landscape Maintenance Area within the Annexable Property is described in the Declaration.

(k) "Lot" shall mean and refer to a recorded lot shown upon the recorded subdivision map of the Project, and all improvements constructed thereon, if any.

(l) "Member" shall mean and refer to every person or entity who holds a membership in the Association.

(m) "Mortgage" shall mean and refer to any security device encumbering all or a portion of the Project or any Residential Lot, and the term "Mortgage" shall include a Deed of Trust.

(n) "Mortgagee" shall mean and refer to a person or entity to whom a Mortgage is made or who otherwise is the holder of a Mortgage; "Mortgagor" shall mean and refer to a person or entity who mortgages his or its property to another, i.e., the maker of a Mortgage.

(o) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a Residential Lot which is part of the Project, but excluding those having such interest merely as security for the performance of an obligation. "Owner" shall also include a contract buyer under a Real Property Sales Contract, provided that such Real Property Sales Contract is recorded in the Official Records of Riverside County, California, and complies with the provisions of §§ 2985-2985.6 of the California Civil Code.

(p) The term "person" shall mean and refer to and includes a natural person, corporation, partnership, association, firm or other entity as the case may be and the context may require.

(q) "Phase" shall mean and refer to one or more Lots within the Project for which a Final Subdivision Public Report has been issued by the California Department of Real Estate.

(r) "Project" shall mean and refer to the Property and additional real property including all improvements constructed thereon, as is hereafter annexed to the Property pursuant to the Declaration.

(s) "Property" shall mean and refer to the real property described in the Declaration.

(t) "Residence" shall mean and refer to a residential structure or structures, including enclosed yard, patio areas and garages located on a Residential Lot.

(u) "Residential Lot" or "Residential Lots" shall mean and refer to any of the Lots including improvements now or hereafter thereon, within the Project which are or will be improved with a detached single family dwelling, and such other "Residential Lot" or "Residential Lots" as shall be within any additional real property hereafter annexed pursuant to the Declaration.

(v) "Rules and Regulations" shall mean and refer to those rules and regulations adopted by the Association or its Board, including any amendments or additions thereto.

(w) "Single Family" shall mean and refer to one or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than six persons not all so related maintaining a common household.

Section 3. By-laws Applicability.

The provisions of these By-laws are applicable to the Project.

Section 4. Eligibility of Members.

Every Owner of a Residential Lot within the Project shall automatically become a member of this Association, which membership shall be appurtenant to said Residential Lot.

Section 5. Assessment Obligations.

As provided in detail in the Declaration, each Owner, including Declarant, shall be subject to assessments for regular monthly maintenance of the Landscape Maintenance Areas, and reserves for long-term repair and replacement of capital improvements. In addition, subject to the limitations provided in the Declaration, each Owner, including Declarant, may be subject to special assessments.

Section 6. Termination and Transfer of Membership

A membership in the Association shall automatically terminate upon transfer of title of the Residential Lot to which it is appurtenant. A membership may be transferred only in conjunction with the transfer of title of the Residential Lot to which it is appurtenant, and then only to the transferee of title. Upon said transfer and termination, the transferee shall automatically become a Member of the Association.

ARTICLE II
VOTING, MAJORITY OF MEMBERS, QUORUM, PROXIES

Section 1. Voting.

The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Residential Lot owned. When more than one person holds an ownership interest in any Residential Lot, all such persons shall be members, and the vote for such Residential Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Residential Lot.

Class B. Class B Members shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each Residential Lot it owns. The Class B membership shall forever cease to exist and be converted to Class A membership on the happening of any of the following events, whichever occurs earliest:

- (a) When the total number of votes in Class A equal the total number of votes in Class B; or
- (b) Two years from the date of the original issuance of the Final Public Report for the Project; or
- (c) Four years from the date of the original issuance of the Final Subdivision Public Report for the first Phase of the Project.

Section 2. Majority of Members.

Any provision in these By-laws or in the Declaration calling for approval by a "majority of Members" or "majority of the voting power" for action to be taken by the Association, except provisions with respect to action to enforce the obligations of the Subdivider under any completion bond, shall require the vote or written assent of fifty-one percent (51%) of each class of membership during the time that there are two outstanding classes of membership. From and after the cessation of two-class voting, "majority of Members" or "majority of the voting power" shall mean those Members holding fifty-one percent (51%) of the total voting power of the Association.

Where these By-laws or the Declaration require the vote or written assent of each class of membership for the initiation of action by or in the name of the Association, except with respect to action to enforce the obligations of the Subdivider under any completion bond and except with respect to amendments to these By-laws or the Declaration, any requirement that the vote of the Declarant shall be excluded in any such determination shall be applicable only if there has been a conversion of Class B to Class A membership and only for so long as the Declarant holds or directly controls 25% or more of the voting power of the Association.

Section 3.

Quorum.

Except as otherwise provided in these By-laws, the presence in person or by proxy of Members holding 50% of the votes in accordance with Section 1 of this Article II shall constitute a quorum.

Section 4.

Proxies.

Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting. A holder of a proxy need not be a Member of the Association. The proxy may be revoked at any time by written notice of the Member to the Secretary, and all proxies shall automatically terminate upon transfer of title of a Residential Lot by the Owner.

Section 5.

Election of Board.

Every Owner entitled to vote at any election for Board members of the Association may cumulate his votes and give one candidate the number of votes equal to the number of Board members to be elected multiplied by the number of votes to which he is entitled under Section 1 of this Article II, or he may distribute his votes among as many candidates as he thinks fit. If the Members, excluding Declarant, do not have enough votes to elect at least one member of the Board, then one of the Board members shall be elected separately by vote of the Members, excluding Declarant.

ARTICLE III
ADMINISTRATION

Section 1.

Association Responsibilities.

The Board of the Association will have the responsibility of administering the Project, approving the annual budget, establishing and collecting monthly assessments and arranging for the management of the Project.

Section 2.

Place of Meeting.

Meetings of the Association shall be held within the Project or as close thereto as possible.

Section 3.

Annual Meetings.

The first annual meeting of the Association shall be held within six months following the close of escrow for the sale of the first Residential Lot in the Project, or within 45 days following the close of escrow for the sale of 51 percent of the Lots within the project (as authorized under the first Final Subdivision Public Report for the Project), whichever shall occur. Thereafter, the annual meetings of the Association shall be held in the month in which the first annual meeting was held. At such meetings a Board shall be elected by ballot of the Members in accordance with the requirements of Section 5 of Article II of these By-laws. The Members may also transact such other business of the Association as may properly come before them.

Section 4. Special Meetings.

It shall be the duty of the President to call a special meeting of the Members (a) upon the vote for such a meeting by a majority of a quorum of the Board or (b) upon receipt of a written request signed by Members representing not less than five percent (5%) 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.

Section 5. Notice of Meetings.

It shall be the duty of the Secretary to mail or deliver a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where it is to be held, to the address of each Member as it appears on the Membership register of the Association, not less than ten (10) nor more than ninety (90) days prior to such meeting. The mailing or personal delivery of a notice in the manner provided in this Section shall be considered notice served.

Section 6. Adjourned Meetings.

If any meeting cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may not transact any business except to 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. The quorum requirement for the subsequent meeting shall be 25% of the voting power of all Members of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

Section 7. Action Without a Meeting.

Any action which may be taken by the vote of Association Members at a regular or special meeting, except the election of Board members, may be taken without a meeting if the Board distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set for the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Board.

Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified 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 at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Ballots shall be delivered to Association Members in the same manner as provided for delivery of notice of meetings in Section 5 of this Article III. All such ballots shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the

measure submitted. The ballot must specify the time by which it must be received in order to be counted.

Section 8. Order of Business.

The order of business of all meetings shall be as follows: (a) roll call; (b) proof of notice of meeting; (c) reading of Minutes of preceding of preceding meeting; (d) reports of officers; (e) report of committees; (f) appointment of inspectors of election; (g) election of Board members; (h) unfinished business; and (i) new business.

Section 9. Fiscal Year.

Unless modified by resolution of the Board, the fiscal year of the Association shall be the calendar year.

ARTICLE IV
BOARD OF DIRECTORS

Section 1. Number and Qualifications.

The affairs of the Association shall be governed by a Board of Directors ("Board"). The Board shall, prior to the first annual meeting, be composed of three persons ("Board members or Board member"). From and after the first annual meeting, the Board shall be composed of five persons.

Section 2. Powers and Duties.

(a) The Board shall have the power and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or these By-laws directed to be exercised and done by the Members. The powers and duties of the Board shall include but not be limited to the following:

(1) Enforcement and carrying out of the provisions of the Articles of Incorporation, Declaration, By-laws, Rules and Regulations, and other agreements.

(2) Payment of taxes and special assessments which are or would become a lien on the Landscape Maintenance Areas, or a portion thereof, unless such lien encumbers a part of a Residential Lot and is solely the obligation of the owner of such Residential Lot.

(3) Contracting and paying for fire, casualty, liability and other insurance insuring the Association, Board and Residential Lot Owners.

(4) Contracting and paying for maintenance, gardening, utilities, materials and supplies, and other goods and services relating to the Landscape Maintenance Areas and employment of personnel necessary for the operation of the Project, including legal and accounting services, subject to the limitations of paragraph (b) below.

(5) Delegation of its powers to committees, officers or employees of the Association as expressly authorized in the Declaration, Articles of Incorporation and these By-laws.

(6) Preparation of budgets and financial statements as prescribed in Section 13 of Article IV.

(7) Formulation, adoption and publishing of Rules and Regulations governing the use of the Project, and the personal conduct of the Members and their guests thereon.

(8) Imposition of fines and suspension of voting rights for non-payment of assessment or other breaches of the Declaration, the By-laws, or the Association's published Rules and Regulations after notice and hearing which are required by other provisions hereof.

(9) Entering onto any Lot where necessary in connection with maintenance or construction for which the Association is responsible or becomes responsible.

(10) Payment for reconstruction of any portion or portions of the Project damaged or destroyed which are to be rebuilt by the Association.

(11) Levying of assessments as provided in the Declaration.

(12) Election of officers of the Board.

(13) Filling of vacancies on the Board except for a vacancy created by the removal of a Board member as provided in Section 7 of this Article IV.

(14) The Board shall regularly prepare and distribute the following financial information 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 45 days prior to the beginning of the fiscal year.

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

(2) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Landscape and Maintenance Area and for contingencies.

(3) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Landscape Maintenance Area for which the Association is responsible.

(4) 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 Landscape Maintenance Area for which the Association is responsible.

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

(c) A report consisting of the following shall be distributed within 120 days after the close of the fiscal year.

- (1) A balance sheet as of the end of the fiscal year.
- (2) An operating (income) statement for the fiscal year.
- (3) A statement of changes in financial position for the fiscal year.

(4) For any fiscal year in which the gross income to the Association exceeds \$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 (14) (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 books and records of the Association without independent audit or review.

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

(b) The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association residing in Members other than the Declarant.

(1) Entering into a contract with a third person wherein the third person will furnish goods or services for the Landscape Maintenance Area or the Association for a term longer than one year with the following exceptions: (i) a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration; or (ii) a contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; or (iii) prepaid casualty and/or liability insurance policies of not to exceed three years duration, provided that the policy permits short rate cancellation by the insured.

(2) Incurring aggregate expenditures for capital improvements to the Landscape Maintenance Area in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year.

(3) Selling, during any fiscal year, property of the Association having an aggregate fair market greater than 5% of the budgeted gross expenses of the Association for that fiscal year.

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

(5) Filling of a vacancy on the Board created by the removal of a Board member.

Section 3. Other Duties.

In addition to duties imposed by these By-laws or by resolutions of the Association, the Board shall be responsible for the following: care, upkeep and surveillance of the Project as provided in the Declaration; collection of ~~and monthly~~ monthly and special assessments from the Owners; and hiring and dismissal of the personnel necessary for the Association's maintenance and operation of the Project.

Section 4. Management Agent.

Subject to the limitations set forth in Section 2(b) of this Article IV, the Board may employ for the Association a management agent and/or security officers at a compensation established by the Board to perform such duties and services as the Board shall authorize. Any management agreement for the Project shall provide for termination by either party without cause and without payment of a termination fee, upon 30 days' written notice, and shall have a term, not exceeding one year, renewable by agreement of the parties for successive one-year periods.

Section 5. Election and Term of Office.

The first election of the Board shall be at the first meeting of Members and thereafter at each annual meeting of Members, but if such annual meeting is not held or Board members are not elected there at, the Board members may be elected at a special meeting held for that purpose. Voting for the Board shall be by secret written ballot. The term of office for each Board member shall be one (1) year and each shall hold office until a successor is elected.

Section 6. Vacancies.

Vacancies in the Board caused by any reason other than the removal of a Board member by a vote of the Association shall be filled by vote of the majority of the remaining Board members, and each person so elected shall be a Board member until a successor is elected at the next annual or special meeting of the Association.

Section 7.

Removal of Board Members.

At any regular or special meeting of Association Members duly called, any one or more of the Board members may be removed with or without cause by a majority of the Association Members, and a successor may then and there be elected to fill the vacancy thus created (by cumulative voting as provided in Section 5 of Article II). Any Board member whose removal has been proposed by the Association Members shall be given an opportunity to be heard at the meeting. Unless the entire Board is removed from office by the vote of Members of the Association, no individual Board member shall be removed prior to the expiration of his or her term of office if the votes cast against removal would be sufficient to elect the Board member if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Board members authorized at the time of the most recent election of the Board member were then elected; provided, however, that a Board member who has been elected to office solely by the votes of Members of the Association other than the Declarant, may be removed prior to the expiration of his term only by the vote of at least a simple majority of the voting power residing in Association Members other than the Declarant.

Section 8.

Organization Meeting.

The first meeting of a newly elected Board shall be held within thirty (30) days of election at such place within the Project or as close thereto as possible as shall be fixed by the Board at the meeting at which such Board was elected, and no notice shall be necessary to the newly elected Board members in order to legally constitute such meeting; provided a majority of the whole Board shall be present.

Section 9.

Regular and Special Meetings.

Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board members, but at least one such meeting shall be held each month, unless business to be transacted does not justify such frequent meetings, in which case the Board shall meet at least every three (3) months.

Special meetings of the Board may be called by written notice signed by the President or by any two members of the Board other than the President. The notice of a special meeting shall state the time, place and purpose of the meeting.

Notice of the time and place of regular Board meetings shall be communicated to all Board members not less than four (4) days prior to the meeting, and notice of the time, place and purpose of special meetings shall be communicated to all Board members not less than seventy-two (72) hours prior to the meeting, provided, however, that notice of a regular or special meeting need not be given to any Board member who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 10.

Open Meetings and Notice to Members.

Regular and special meetings of the Board shall be open to all Association Members; provided, however, that Association Members, other than

the Board members, may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board; provided, further, however, that upon the vote of a majority of a quorum of the Board, the Board may adjourn 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 sessions shall first be announced in open session.

Notice of the time and place of regular and special Board meetings shall be communicated to all Members. The notice of regular meetings shall be so communicated not less than four days prior to such meeting and the notice of special meetings (except in emergency situations) shall be so communicated not less than seventy-two (72) hours prior to such meeting.

Section 11. Quorum.

At all meetings of the Board, a majority of the authorized and duly elected Board members shall constitute a quorum for the transaction of business, and the acts of the majority of the Board members present at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there be less than a quorum present, the majority of those present may adjourn the meeting to a time certain. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted provided a quorum is present.

Section 12. Fidelity Bonds.

The Board 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 13. Financial Reports.

(a) Financial statements for the Association shall be regularly prepared and distributed to all Association Members regardless of the number of Members or the amount of assets of the Association as follows:

(1) A pro forma operating budget for each fiscal year shall be distributed at least sixty (60) days before the beginning of the fiscal year.

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

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

- (A) A balance sheet as of the end of the fiscal year.
- (B) An operating statement for the fiscal year.
- (C) A statement of changes in financial position for the fiscal year.
- (D) Any information required to be reported under Section 8322 of the Corporations Code.

(b) The annual report referred to in (a) (3) above shall be prepared by an independent certified public accountant for any fiscal year in which the gross income to the Association exceeds \$75,000.

(c) If the report referred to in (a) (3) above is not prepared by an independent certified public accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

ARTICLE V OFFICERS

Section 1. Designation.

The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be Board members. One Board member may hold the dual offices of Vice President and Treasurer. The Board may appoint an assistant secretary, and such other officers as in its judgment may be necessary, and such other officers need not be Board members.

Section 2. Election and Removal of Officers.

The principal officers of the Association shall be elected by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or any special meeting of the Board called for such purpose. Vacancies caused by resignation shall be filled by appointment by the President until an election is held by the Board.

Section 3. President.

The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of an association including, but not limited to, the power 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. All disbursements, of funds, monies, and other assets of the Association shall require the joint written signatures of the President and Treasurer, provided, however, that if the President or Treasurer is not available the Secretary may sign in his or her place.

Section 4. Vice President.

The Vice President shall take the place of the President and perform his or her duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him or her by the Board.

Section 5. Secretary.

The Secretary shall keep the minutes of all meetings of the Board and the minutes of the Association; he or she shall have charge of such books and papers as the Board may direct; and he or she shall, in general, perform all the duties incident to the office of Secretary. The Secretary shall also be responsible for maintaining the membership register of the Association.

Section 6. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. Such books shall be open to inspection by any Member of the Association. He or she shall be responsible for the deposit of all monies and other valuable effects in the name of and to the credit of the Association in such depositories as may from time to time be designated by the Board, and shall disburse the funds of the Association as may be ordered by the Board.

Section 7. Execution of Documents.

The Board may authorize any officer or officers to enter into any contract or execute any document in the name of and on behalf of the Association; and unless so authorized by the Board, no officer or other person shall have any power or authority to bind the Association or to pledge its credit or to render it liable for any debt or obligation.

ARTICLE VI
INDEMNIFICATION

Each Owner shall be liable to the Association for any damage to the Landscape Maintenance Areas caused by the negligence or willful misconduct of the Owner or his family, guests, invitees or lessees. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any lot owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage; provided further that this Article VI is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this Article VI.

ARTICLE VII
MORTGAGEES

Section 1. Notice of Unpaid Assessments.

The Association shall, at the request of a Mortgagee of a Residential Lot, report any unpaid assessments due from the Owner of such Residential Lot.

ARTICLE VIII
ENFORCEMENT

Section 1. Suspension.

Notwithstanding any other remedy or action available to the Association, the membership and all rights and privileges thereof of any Member may be suspended by action of the Board for a period not to exceed thirty (30) days for; (i) failure to pay any membership assessment in full promptly when due (whether or not he or she be personally obligated to pay such assessment), and (ii) violation of any provision of these By-laws, or any provisions set forth in the Declaration or any Rules or Regulations of the Association. Such suspension shall not take effect unless the Member is notified in writing of the suspension and the reasons therefor at least fifteen (15) days prior to the effective date of the suspension, and if requested by said Member in writing within five (5) days after receipt of notice thereof, a hearing on said suspension is held before the Board. Said hearing shall be held by the Board at least five (5) days before the effective date of the suspension, and at said hearing the Member may appear and defend himself against the matters resulting in the notice of suspension.

Section 2. Fines.

The Board shall also have the right, pursuant to notice and hearing requirements of Section 7341 of the California Corporations Code and to such other procedures as it may establish, to assess fines against any Member who violates, or whose guest or guests, invitees or lessees violate, the Declaration, these By-laws, or the Rules and Regulations then in effect. Fines may be levied for each such offense. For the first offense such fine shall not exceed \$25.00. For repeated offenses fines shall not exceed \$100.00 for each offense.

Section 3. Remedies Cumulative.

The remedies provided herein shall be in addition to, and not in lieu of, any other remedies which may be provided by the Declaration, these By-laws, or under law.

Section 4. Attorney's Fees.

In any action brought for enforcement, damages, or declaratory relief with respect to the provisions of these By-laws or the Declaration, the prevailing party shall be entitled to attorney's fees in such amount as may be ordered by a Court of competent jurisdiction.

ARTICLE IX
AMENDMENTS

These By-laws and the Articles of Incorporation may be amended by the vote or written assent of a majority of each class of Members in existence at the time the amendment is considered. Upon cessation of two-class voting as provided in Article II Section 1 herein, these By-laws and the Articles of Incorporation may be amended by a seventy-five percent (75%) of the voting power of the Association and a majority of the votes of Members other than the Declarant. For the purposes of this Article IX, the term "material amendment" shall mean amendments to provisions of these By-laws governing the following subjects:

- a. The fundamental purpose for which the Project was created (such as a change from residential use to a different use).
- b. Voting.
- c. Assessments, assessment liens, and subordination thereof.
- d. Reserves for repair and replacement of Common Areas or Landscape Maintenance Areas.
- e. Property maintenance obligations.
- f. Casualty and liability insurance.
- g. Reconstruction in the event of damage or destruction.
- h. Rights to use the Common Areas or Landscape Maintenance Areas.
- i. Annexation.

ARTICLE X
CONFLICTS

In the case of any conflict between the Declaration and these By-laws, the Declaration shall control.

ARTICLE XI
INSPECTION OF BOOKS AND RECORDS

The membership register, books of account, and minutes of meetings of the Association Members, of the Board, and of the Board's committees shall be made available for inspection and copying by any Member of the Association, or by his duly-appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe, subject to such reasonable rules as the Board may establish with respect to: (i) notice to be given to the custodian of the records by the Member desiring to make the inspection; (ii) hours and days of the week when such an inspection may be made; and (iii) payment of the cost of reproducing copies of documents requested by a Member.

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

CERTIFICATION

I, the undersigned, hereby certify:

That I am the Incorporator of STARLIGHT RIDGE HOMEOWNERS ASSOCIATION, and

That the foregoing By-laws constitute the original By-laws of said Association, as duly adopted on the _____ day of _____, 19__.

Incorporator
Starlight Ridge Homeowners Association