

SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION

FIRST AMENDMENT TO THE BYLAWS

Approved by the General Membership
By Mailed Ballot January, 1994.

PURPOSE: The original Bylaws do not state
who is eligible to be elected a Director.
This First Amendment clarifies eligibility.

Article IV, Section 1 **as originally approved:**

1. Number and Category of Directors. The affairs of the Association shall be managed by a Board of Directors consisting of five (5) directors who shall be elected in accordance with Article V, Section 2, of these Bylaws.

Article IV, Section 1 **as amended:**

(Note: Additions are shown in bold type.)

1. Number and Category of Directors. The affairs of the Association shall be managed by a Board of Directors consisting of five (5) directors who shall be elected in accordance with Article V, Section 2, of these Bylaws. **A candidate to be eligible for election must be a member in good standing with the Association which means that all Assessments with respect to all units owned by the candidate must be current. No Owner shall be eligible to serve on the Board at any time when a co-Owner is serving on the Board.**

The undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing is a true and correct copy of the Bylaws of the Spyglass Ridge Villas Homeowners Association Corporation as of this 31st day of January, 1994.

A. Terrence Whittaker

A. Terrence Whittaker, Secretary

SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION

SECOND AMENDMENT TO THE BYLAWS

Approved by the General Membership By Mailed Ballot January, 1994.

PURPOSE: The original Bylaws state that the President and Chief Financial Officer (treasurer) must both co-sign all Association checks. This Second Amendment changes the Bylaws to correspond to practice before the present Board of Directors took office as to signing operations expense checks and to correspond to the California Civil Code as to signing checks that withdraw from reserves.

Article VII, Section 2 as originally approved:

Powers. The Board of Directors shall have power to:
Section 2 has subsections (a) through (f).

Adopted Amendment: Add subsection (g) as follows:

(g) Bank Accounts and Signatories: Open bank accounts for the Association and designate the signatories to such bank accounts provided that two signatures shall be required for a withdrawal from a reserve account, one of which shall be the President's or Chief Financial Officer's and the other of which shall be a Director's, and provided that two signatures shall be required for a withdrawal from any other account, at least one signature of which shall be a Director's.

Article VIII, Section 7, Subsection (a) as originally approved:

(a) President: The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all **checks and** promissory notes.

Adopted Amendment: Delete "checks and" shown above in bold type.

Article VIII, Section 7, Subsection (d) as originally adopted:

(d) Chief Financial Officer: The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all **checks and** promissory notes of the Association; shall keep proper books of account; shall prepare a financial statement and related information for the Association and distribute a copy thereof to each member, consisting of the following:

Adopted Change: Delete "checks and" shown above in bold type.

The undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing is a true and correct copy of the Bylaws of the Spyglass Ridge Villas Homeowners Association Corporation as of this 31st day of January, 1994.

A. Terrence Whittaker
A. Terrence Whittaker, Secretary

BYLAWS
OF
SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the Association is SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in the City of Pismo Beach, County of San Luis Obispo, California.

ARTICLE II

DEFINITIONS

The definitions contained in the Declaration are incorporated by reference herein.

2. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions of Spyglass Ridge Villas, A Planned Residential Development, applicable to the property, recorded on the _____ day of _____, 198____, as Instrument No. _____, in Book _____, Pages _____, Official Records, San Luis Obispo County.

ARTICLE III

MEETING OF MEMBERS AND VOTING

1. Annual Meeting. The first meeting of the members shall be held not later than six (6) months after the close of escrow on the sale of the first lot in the project and within forty-five (45) days after the closing of the sale of the project interest which represents the fifty-first (51st) percentile interest authorized for sale under the first final public report for the project, whichever occurs first. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent regular annual meetings of the members shall be held within thirty (30) days of the same day of the same month of each year thereafter, at the hour of 7:30 o'clock p.m. 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 (excluding Saturday and Sunday).

2. Special Meetings. Special meetings of the members may be called at any time by a majority of a quorum of the Board of Directors, or upon written request of the members representing not less than five percent (5%) of the total voting power of the Association.

3. Notice and Place of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to each institutional lender requesting notice and to each member, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting. Meetings shall be held within the project or at a meeting place within the same county, as close to the project as possible.

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

4. Quorum. The presence either in person or by proxy, at any meeting, of members entitled to cast at least fifty-one percent (51%) of the votes of the membership shall constitute a quorum for any action, except as otherwise provided in the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the members entitled to vote thereat shall have power to adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days later, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. If a time and place for the adjourned meeting is not fixed for the adjourned meeting, notice of the time and place thereof shall be given per Section 3. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, provided that at least twenty-five percent (25%) of the total voting power of the Association remains present in person and/or by proxy and provided further that any action taken shall be approved by at least a majority of the members required to constitute a quorum.

5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the

member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

6. Action Without Meeting. Any action which may be taken by vote of members at a regular or special meeting (except the electing of Board members where cumulative voting is a requirement) may be taken without a meeting if done in compliance with Corporations Code Section 7513.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

1. Number and Category of Directors. The affairs of the Association shall be managed by a Board of Directors consisting of five (5) directors who shall be elected in accordance with Article V, Section 2, of these Bylaws.

2. Terms of Office. At the first meeting of the Association the members shall elect three (3) directors for a term of two (2) years and two directors for a term of one year. At the expiration of the initial term of each respective director, his successor shall be elected to serve for a term of two (2) years.

3. Removal; Vacancies. Unless the entire Board is removed from office by the vote of Association members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the director if voted cumulatively at an election at which the same number of votes were cast and the entire Board were then being elected. A director who was elected solely by the votes of members other than Declarant may be removed from office prior to the expiration of his term only by the votes of a majority of members other than Declarant. In the event of death, resignation or removal of a director, and subject to Article VII, Section 3(f) of these Bylaws, his successor shall be selected by a majority of the remaining members of the Board or by a sole remaining director, and shall serve for the unexpired term of his predecessor. The members may elect a director at any time to fill any vacancy not filled by the directors.

4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed by approval of the Board for his actual expenses incurred in the performance of his duties.

5. Indemnification of Officers and Directors. Each director and officer shall be indemnified by the Association and the members against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him by judgment or settlement

in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the Association, except in cases of fraud, gross negligence or bad faith of the director or officer in the performance of his duties in accordance with the standard set forth in Corporations Code Sec. 7231.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

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

2. Election. The first election of the Board shall be conducted at the first meeting of the Association. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Members shall be entitled to cumulate their votes for one or more candidates, if the candidate's name has been placed in nomination prior to voting and if the member has given notice at the meeting prior to the voting of their intention to cumulate votes. Voting for Directors shall be by secret written ballot. So long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents on the Board shall have been elected solely by the votes of the owners other than the Declarant, in accordance with the following procedure: The collected ballots shall be segregated between ballots cast by Declarant and by other members. Ballots from other members shall be counted first, and the person receiving the greatest number of votes shall be elected to the Board. The votes of Declarant shall then be added to the totals and the persons receiving the highest number of votes (other than the person already elected) shall be elected to the remaining positions.

ARTICLE VI

MEETINGS OF DIRECTORS

1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly at such place within the project and at such hour as may be fixed from time to time by resolution of the Board. Notice of the time and place of such meeting shall be posted at a prominent place within the project and communicated to directors not less than four (4) days prior to the meeting.
2. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the president of the Association, or by any two directors other than the president. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all directors and posted at a prominent place within the common area not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that a notice need not be given to a Board member who has signed a waiver of notice or a written consent to holding such meeting.
3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.
4. Open Meetings. All meetings of the Board shall be open to all members, but members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.
5. Executive Session. The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.
6. Action Without Meeting. The Board may take action without a meeting if all directors consent in writing to such action. An explanation of such action taken shall be posted at a prominent place within the project within three (3) days after the consents of all directors have been obtained.

ARTICLE VII

POWERS AND DUTIES OF BOARD OF DIRECTORS

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

(a) Maintenance: Maintain the project in accordance with the Declaration;

(b) Insurance: Maintain insurance as required by the Declaration;

(c) Discharge of Liens: Discharge by payment, if necessary, any lien against the common area and assess the cost thereof to the member or members responsible for the existence of said lien;

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

(e) Expenses and Obligations: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

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

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

(h) Enforcement: Enforce these Bylaws and the Declaration.

2. Powers. The Board of Directors shall have power to:

(a) Manager: Employ a manager as provided in the Declaration;

(b) Adoption of Rules: Adopt rules in accordance with the Declaration;

(c) Assessments, Liens and Fines: Levy and collect assessments and impose fines as provided in the Declaration;

(d) Enforcement: Enforce rules and regulations, these Bylaws, and the Declaration;

(e) Contracts: Contract for goods and/or services in accordance with the Declaration;

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

3. Prohibited Acts: The Board of Directors shall not take any of the following actions, except with the vote or written consent of a majority of the voting power of the Association including a majority of members other than Declarant:

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

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

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

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

(4) Lease agreements for laundry room fixtures and equipment of not more than five (5) years, provided that the lessor thereof is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

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

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration, provided that the suppliers are not entities in

which the subdivider has a direct or indirect interest of ten percent (10%) or more.

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

(c) Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

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

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

ARTICLE VIII

OFFICERS AND THEIR DUTIES

1. Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a chief financial officer, and such other officers as the Board may from time to time by resolution create.

2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

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

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

5. Resignation and Removal. Any officer may be removed from office by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless

otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

7. Duties. The duties of the officers are as follows:

(a) President: The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

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

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

(d) Chief Financial Officer: The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; shall keep proper books of account; shall prepare a financial statement and related information for the Association and distribute a copy thereof to each member, consisting of the following:

(1) A budget for each fiscal year shall be distributed not less than forty-five (45) nor more than sixty (60) days before the beginning of the fiscal year. The budget shall include all of the following:

(i) The estimated revenue and expenses on an accrual basis;

(ii) Identification of the total cash reserves currently available for replacement or major repair of common facilities, and for contingencies;

(iii) Identification of estimated remaining life and methods of funding used to defray future repair, replacement or additions to the major components attributable to the areas maintained

by the Association, and a general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components.

(2) A statement as to the Association's policies and practices in enforcing the lien rights or other legal remedies for default in payment of assessments shall be delivered within sixty (60) days prior to the beginning of each fiscal year.

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

(4) 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 statement for the fiscal year;

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

(iv) Any information required to be reported under Corporations Code Sec. 8322.

(5) Ordinarily an external audit by a licensee of the State Board of Accountancy shall be required for fiscal year financial statements (other than budgets) for any fiscal year in which the gross income to the Association exceeds \$75,000; otherwise, annual reports shall be accompanied by a certificate from the treasurer that the report was prepared from the books and records of the Association without independent audit or review. Institutional lenders shall, upon request, receive an audited financial statement of the project within ninety (90) days following the end of the fiscal year of the project. The foregoing duties may be delegated to a manager appointed by the Board. The Board shall at least quarterly review a current reconciliation of the Association's operating accounts, reserve accounts, current year's actual reserve revenues and expenses compared to the current budget, latest bank account statements, and income and expense statements. The signatures of the Chief Financial Officer and one Board member shall be required for the withdrawal of monies from the reserve accounts.

ARTICLE IX

COMMITTEES

The Board of Directors may appoint committees as deemed appropriate in carrying out its purpose or as required under these Bylaws.

ARTICLE X

BOOKS AND RECORDS

1. Inspection by Members. The membership register (including names, addresses, telephone numbers and voting rights), books of account and minutes of meetings of members, of the Board, and of committees shall be made available for inspection and copying by any member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the project as the Board shall prescribe.

2. Rules for Inspection. The Board shall establish reasonable rules with respect to:

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

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

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

3. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extra copies of documents.

ARTICLE XI

ASSESSMENTS

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

ARTICLE XII

AMENDMENTS

1. Prior to close of escrow on the sale of the first lot or unit in the project, Declarant may amend these Bylaws, with the consent of the Department of Real Estate. After the sale of the first lot or unit, these Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of a quorum of the Association which shall include a majority of the votes or written consent of members other than Declarant, or where a two (2) class voting structure is still in effect, shall include a majority of each class of members. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage or affirmative votes required for action to be taken under that clause.

2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with the provisions of the California Common Interest Development Act, the provisions of said statute shall control.

ARTICLE XIII

MISCELLANEOUS

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

We, the undersigned, being all of the Directors of SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION, do hereby certify:

That we are entitled to exercise all of the voting power of said Association;

That we hereby assent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of the Association.

IN WITNESS WHEREOF, we have hereunto subscribed our names
this _____ day of _____ 1988.

Tom L Corea
TOM COREA

Christi Huneycutt-Hasbun
CHRISTI HUNEYCUTT-HASBUN

Damon B. Stanley
DAMON B. STANLEY

Dan Corea
DAN COREA

Lynn Corea
LYNN COREA

I, the undersigned, the duly elected and acting secretary of
SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION, do hereby certify:

That the within and foregoing Bylaws were adopted as the Bylaws
of said Association on the _____ day of _____, 1988, and that
the same do now constitute the Bylaws of said Association.

IN WITNESS WHEREOF, I have hereto subscribed my name
this _____ day of _____, 1988.

Lynn Corea
LYNN COREA, Secretary