

**BY-LAWS OF
SANTA MARGARITA ASSOCIATION**

DEFINITIONS

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

- (a) "Articles of Incorporation" means the Articles of Incorporation of the Association as the same may be duly amended from time to time.
- (b) "Association" means Santa Margarita Association, a California non profit mutual benefit corporation, its successors and assigns.
- (c) "Board" or "Board of Directors" may be used interchangeably herein and shall mean the Board of Directors of the Association as the same may, from time to time, be constituted.
- (d) "By-Laws" means these By-Laws, including any amendments or additions hereto.
- (e) "Common Area" or "Common Areas" means the real property within the Association owned or to be owned by the owners for the common use and enjoyment of the owners. The common area presently owned or to be owned in common by the Owners is described in Exhibit A of the Declaration of Covenants, Conditions and Restrictions.
- (f) "Declarant" means Santa Margarita Association, and its successors and assigns.
- (g) "Declaration" means that certain Declaration of Covenants, Conditions and Restrictions of this Association, recorded on December 2, 1987 as Instrument No. 341125 of the Official records in the County Recorder's Office of the County of Riverside, California, together with any amendments, supplements or modifications thereto.
- (h) "Deed of Trust" shall mean and be synonymous with the word "Mortgage", and the same may be used interchangeably with the same meaning; similarly, the word "Trustor" shall be synonymous with the word "Mortgagor", and the word "Beneficiary" shall be synonymous with the word "Mortgagee".
- (i) "Member" or "association Member" means every person or entity who holds a membership in the Association.
- (j) "Mortgage" means the conveyance of any parcel or other portion of the Association to secure the performance of an obligation, which conveyance shall be void upon the due performance of said obligation.
- (k) "Mortgage" means a person or entity to whom a mortgage is made or who otherwise is the holder of a Mortgage; "Mortgagor" means a person or entity who mortgages his or its property to another, i.e. the maker of a Mortgage.
- (l) "Owner" means the record owner, whether one or more persons or entities, of parcels which is part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. "Owner" shall also include a contract vendee under a Real Property Sales Contract, provided that such Real Property Sales Contract complies with the provisions of Section 2985-2985.6 of the California Civil Code.
- (m) The term "person" means and includes a natural person, corporation, partnership, association, firm or other entity as the case may be and the context may require.
- (n) "Rules and Regulations" means such rules and regulations as may from time to time be adopted by the Association or its Board.
- (o) "Properties" shall mean and refer to that certain real property described in that Declaration of Covenants, Conditions and Restrictions referred to herein, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.
- (p) "Parcel" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties.

(q) "Structure" shall mean any construction or any production of a piece of work artificially built upon composed of parts joined together in some definite manner.

(r) "Land" is the material of the earth, whatever may be the ingredients of which it is composed and includes free or occupied space for an indefinite distance upwards as well as downwards, subject to the limitations upon the use of airspace granted by law.

(s) "Architectural Control Committee" (ACC) refers to the Committee of the Board of Directors chartered to implement the provisions of Article VIII of the Declaration.

The aforementioned definitions shall be applicable to these By-Laws and to any supplements or amendments thereto (unless the contents shall prohibit) adopted pursuant to the provisions of the By-Laws.

ARTICLE I Principal Office

The principal office for the transaction of the business of Santa Margarita Association (hereinafter called the "Association") is hereby fixed at and located at Rancho California/Temecula, California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another within the County of Riverside, State of California.

ARTICLE II Purpose

The specific and primary purposes of the Association are set forth in the Articles of Incorporation. In consonance with these purposes, the Association shall maintain the road easements and adjoining slope easements within the development and provide for the general welfare, e.g. Architectural Control and enforcement of the Covenants, Conditions and Restrictions.

ARTICLE III Members

Section 1 Number of Members.

There shall be one membership for each parcel identified in current Covenants, Conditions and Restriction of Santa Margarita Association and/or future annexations.

Section 2 Qualification of Members. Each person who is the owner of a fee simple interest in a lot in the development shall be entitled to a membership in the Association and shall be a member of the Association; provided, however, that such membership is not intended to apply to those persons who hold an interest in any lot merely as security for the performance of an obligation to pay money, e.g., mortgages, deeds of trust, etc. In the event that such interests are owned in joint tenancy or tenancy in common, only one of such joint owners shall be a member of the Association. Such owners shall from time to time designate one of their number in writing to vote and to exercise all of the rights of membership. The non-voting joint owner, however, shall be entitled to all the benefits of membership of the Association, subject to the By-Laws and to the rules and regulations as may be promulgated from time to time by the Board of Directors. Such non-voting owner shall be jointly and severally responsible for the dues, assessments, and charges levied against, incurred by, or attributed to the membership from which such member derives the rights and benefits referred to in this Section.

Section 3. Subdivider's Commitment. Assessments charged to lots within the development which are subject to the power and authority of the Association shall be billed and charged to the owner of record. Each subdivision of a lot shall be considered a separate lot and subject to the annual per lot assessment. The owner or subdivider shall have the duty and obligation to pay the assessments on lots owned by or subdivided by him until the date of sale of such lots or subdivided lots. Each owner of a lot shall be responsible for notification of the Association's business manager of the date of recording of subdivision maps.

Section 4. Transfer of Membership. Membership in the Association shall be transferable only when validly conveyed or assigned through a sales contract of said parcel or by operation of law. Any transfer made in accordance with this Section shall be effective only upon receipt by the Association's Business Manager of a written notice from the transferor, by written communication of such transfer from an escrow company or when such evidence appears in the records of Riverside County. In connection with any transfer pursuant to this Section, the Association may charge the transferor-member a twenty five (\$25.00) transfer fee for each transfer; provided, however, no such charge may be made to the holder of a first deed of trust who acquires title to any lot by foreclosure, trustee's sale, or a deed in lieu of foreclosure.

Section 5. Voting and Majority Rule. Each member shall be entitled to one vote for each membership on all questions. Except as expressly provided elsewhere in these By-Laws, a simple majority of a quorum of a duly constituted membership meeting shall prevail on all questions.

Section 6. Privileges for Members and Families of Members. Members and families of members shall be entitled to use common facilities, if any, of the Association, subject to reasonable fees which may be set by the Association.

ARTICLE IV Meeting of Members

Section 1. Place of Meeting. All annual meetings of members shall be held within a 20 mile radius of the intersection of Rancho California Road and Front Street in Temecula, the County of Riverside, State of California, subject to the limitations herein, as may be fixed from time to time by resolution of the Board of Directors, and all other meetings of the members shall be held within the County of Riverside, State of California, which may be designated either by the Board of Directors pursuant to authority hereinafter granted to said Board. Any meeting is valid wherever held, if held by the written consent of all members entitled to vote thereat, given either before or after the meeting and filed with the Secretary of the Association.

Section 2. Annual Meetings. Annual meetings of members shall be held during October or November.

Written notice of each annual meeting shall be given by the Secretary or his designee as authorized by the Board of Directors to each member entitled to vote, by sending a copy of the notice through the mail, charges prepaid, to his address appearing on the books of the Association or supplied by him the Association for the purpose of notice. If a member supplies no address, notice shall be deemed to have been given him if mailed to the address of the lot affected, or published at least once in some newspaper of general circulation in the County of Riverside. All such notices shall be sent to each member entitled thereto not less than ten (10) nor more than sixty (60) days before each annual meeting, and shall specify the place, the day and the hour of such meeting.

Section 3. Special Meetings. Special meetings of members for any lawful purpose may be called by the Board, the Chairman of the Board, the President, or five percent (5%) or more of the members. Notice of special meetings shall be given in the same manner as notice of annual meetings, and shall also state the general nature of the business to be transacted, and that no other business may be transacted.

Section 4. Adjourned Meetings. Any members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of members present or represented at such meeting and entitled to cast a majority of votes represented at such meeting to a time not less than forty-eight (48) hours nor more than forty-five (45) days from the time the original meeting was called. In the absence of a quorum, no other business may be transacted at any such adjournment or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken. It shall not be necessary to give any notice of the adjournment or the business to be transacted at an adjourned meeting, except when such adjournment is for thirty (30) days or more, other than by announcement at the meeting at which adjournment was taken.

Section 5. Entry of Notice. Whenever any member who is entitled to vote has been absent from any meeting of members, whether annual or special, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to each member, as required by law and the By-Laws of the Association. The minutes of all meetings shall contain an attachment which shall be evidence that due notice of the meeting was given.

Section 6. Quorum. The presence in person or by proxy of members entitled to cast in excess of one-half (1/2) of votes shall constitute a quorum for the transaction of business. 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, however, there shall be deemed a quorum if there are present at the meeting either in person or by proxy when reconvened pursuant to Section 4 of this Article IV at least one-quarter (1/4) of votes represented by all members of the Association. At such an adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally notified. Notwithstanding the foregoing, if less than one-third (1/3) of the Association's voting power is represented at such meeting, either in person or by proxy, then the only matters that may be voted upon are matters notice of the general nature of which was given pursuant to Article IV, Section 2 hereof.

Section 7. Consent of Absentees. The transaction of any meeting of members either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, sign a written waiver of notice, or a consent to the holding of 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 8. Proxies. Every person 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 person 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 the member executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed three (3) years from the date of its execution. Subject to the above, any proxy duly executed continues in full force and effect until an instrument revoking it or a duly executed proxy bearing a later date is filed with the Secretary or Business Manager of the Association.

Section 9. Membership Responsibility for Currency of Address on the Books of the Association. Each member is responsible for timely notification of the Secretary or the Business Manager of his current mailing address. All assessment and meeting notices by the Association to its members shall be deemed to have been given when mailed to the members address shown on the books of the Association.

Section 10. Balloting. On all questions where a majority of the members deem it necessary, and in any event in the election or removal of members of the Board of Directors, ballots shall be cast secretly and in writing, folded in such a manner that the way in which the ballot is marked cannot be seen, and deposited into a receptacle. The ballots shall be counted immediately upon collection thereof by either one (1) or three (3) members selected by the Chairman of the meeting. The Chairman shall announce the results of the balloting immediately, and the ballots may be inspected by any member.

Section 10. Action Taken Without a Meeting. The members shall have the right to take any action in the absence of a meeting which they would take at a meeting by obtaining the written approval of all the members. Any action so approved shall have the same effect as though taken at a meeting of the members.

ARTICLE V Directors

Section 1. Powers. Subject to limitations of the Articles of Incorporation or the By-Laws, or the California Corporations Code as to action to be authorized or approved by the members, and subject to the duties of directors as prescribed by the By-Laws, all corporate powers shall be exercised by or under authority of, and the business and affairs of the Association shall be controlled by the Board of Directors; without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers, to wit:

- (a) To select and remove all the other officers, agents and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service;

- (b) To conduct, manage and control the affairs and business of the Association, to maintain the easements for roads, the adjoining slopes within the development, if any, and the recreational facilities of the Association, if any, and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem best;
- (c) To contract and to levy assessments for maintenance of the easements for roads, the adjoining slopes, as established on any recorded map of any portion of the development, or any other recorded document regulating the use of the development, and for the management and maintenance of the recreational facilities, if any, for the benefit of the members.
- (d) To adopt, make and use a corporate seal, and to prescribe the forms of certificates of membership, and to alter the form of such seal and of such certificates from time to time as in their judgment they may deem best, provided such seal and such certificates shall at all times comply with the provisions of law;
- (e) To authorize the issue of memberships to such persons as shall be eligible for membership as in Article III of these By-Laws provided;
- (f) To appoint an executive committee, and to delegate to such committee, subject to the control of the Board of Directors, any of the powers and authority of said Board, except the power to adopt, amend or repeal the By-Laws.
- (g) To enforce the provisions of the third amendment, and any subsequent amendments, to the declaration of Covenants, Conditions and Restrictions.
- (h) To exercise all powers and authorities set forth in the Declaration including, without limitation, the assessment powers therein;
- (i) To contract and to pay for maintenance, gardening, utilities, materials and supplies, and services relating thereto within the development and to employ personnel reasonably necessary for the operation of the project including lawyers and accountants where appropriate;
- (j) To pay taxes and special assessments which are or would become a lien on the property of the Association, if any;
- (k) To contract and pay premiums for fire, casualty, liability and other insurance, including indemnity and other bonds, on said facilities, if any;
- (l) To suspend the voting rights and right to use recreational facilities by an owner and to conduct hearings on such suspension of rights, if such hearing is requested.
- (m) To adopt procedures for conducting hearings on suspension of owner's rights and/or the right to use recreational facilities.
- (n) Formulation, adoption and publishing of Rules and Regulations governing the use of the Project, the personal conduct of the Members and their guests thereon.
- (o) To delegate its powers

Notwithstanding any or all of the foregoing powers, the Board of Directors shall not enter into any contracts which bind it or the Association for a period in excess of one (1) year without the approval of two-thirds of the Board of Directors.

Section 2. Number and Qualification of Directors. The Board of Directors shall consist of five (5) directors until changed by appropriate amendment.

Section 3. Election, Term of Office, and Removal. To provide continuity, the directors terms shall be staggered. Directors shall be elected for a period of one year, two directors shall be elected for a period of two years and one shall be elected for a period of three years. If any such annual meeting is not held or the directors are not selected thereat, the directors may be elected at any special meeting of members held for that purpose. Any director may be removed at any meeting of the members. However, unless the entire board is removed, an individual director shall not be removed if the number of votes voted against the resolution for his removal exceeds the quotient arrived at when the total number of outstanding votes entitled to vote is divided by one plus the authorized number of directors. All directors, unless removed, shall hold office until their respective successors are elected. In any vote for the election of, or removal of more than one (1) director, members shall be entitled to cumulate their votes; that is, all or any part of the total number of votes that each member has (based upon one vote per member for each vacancy to be filled or director to be removed) may cast for the election of or removal of any one director.

Section 4. Vacancies. Vacancies in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, 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.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation or sale of his residential estate by any director, or if the members shall increase the authorized number of directors but fail at the meeting at which such increase is authorized, or at an adjournment thereof, to elect the additional directors so provided for, or in case the members fail at any time to elect the full member of authorized directors, or if a director is removed by the members.

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 By-Laws is voted authorizing an increase in the number of directors.

If any director tenders his resignation to the Board of Directors, the Board shall have the 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 the term of this office.

Section 5. Place of Meeting. All meetings of the Board of Directors shall be held at any place within the State of California designated at any time by resolution of the Board or by written consent of all members of the Board. Upon notice received by the Board through the Business Manager, any member may request that a specific meeting of the Board be held within a radius of 20 miles from the intersection of Rancho California Road and Front Street, Temecula. No such reasonable request shall be denied.

Section 6. Organization Meeting. Immediately following each annual meeting of members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meetings is hereby dispensed with.

Section 7. Other Regular Meetings. Other regular meetings of the Board of Directors may be held without call at such place and day and hour as may be fixed from time to time.

Section 8. Special Meetings. Special Meetings of the Board for any purpose or purposes whatsoever may be called at any time by the Chairman of the Board or by any two (2) directors and upon notice duly given in the manner provided in Section 2 of Article IV of these By-Laws and specifying, in addition to the place, the day and the hour of such meeting, the general nature of the business to be transacted thereat.

Section 9. Majority Rule. Except as expressly provided elsewhere in these By-Laws, a simple majority of the directors present at any meeting duly held at which a quorum is present shall prevail on all questions.

Section 10. Election of Officers. All officers shall be chosen by vote of the Board of Directors, except such officers that may be appointed in accordance with Sections 3 and 5 of Article VI hereof.

Section 11. Directors Acting Without a Meeting By Unanimous Written Consent. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting and with the same force and effect as if taken by a unanimous vote of directors, if authorized by a writing signed by all members of the Board. Such consent shall be filed with the regular minutes of the Board.

ARTICLE VI Officers

Section 1. Officers. The President, Vice President, Secretary and Treasurer of this Association, and such other officers, its employees or its contractors, having the custody of, or access to, the funds of this Association, shall be and each of them is, hereby required to obtain and furnish to this Association a bond from such bonding or insurance company and in such form as shall meet with the approval of the Board of Directors, for the true and faithful accounting to this Association of all of the funds of this Association in the custody of and under the control of, each such officer and insuring this Association against loss for breach thereof, the cost of all such bonds to be paid by this Association. In lieu of bonds, no officer, or agent of the Association shall have single signature control over disbursement or withdrawal of funds in excess of One Thousand Dollars (\$1,000.00). In addition, all funds received shall be deposited directly to an Association account.

Section 2. Election. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen as provided for in Article V, Section 3 and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. Subordinate Officers, etc. The Board of Directors 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 the By-Laws or as the Board of Directors may, from time to time, determine.

Section 4. Removal and Resignation. Any officer may be removed, with cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice of the Board of Directors or the President or the Secretary of the Association. Any such resignation shall take effect at 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 the By-Laws for the regular appointments of such office.

Section 6. President. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Association. He shall preside at all meetings of the members and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be ex-officio a member of all the standing committees including the executive committee, if any, and shall have the general powers and duties of management usually vested in the office of president of an association, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-Laws.

Section 7. Vice President. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors or, if not ranked, the Vice President designated by the Board of Directors, 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 President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or by the By-Laws.

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 of Directors may order, of all meetings of directors and members, with the time and place of holding whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office the Association's transfer agent, a membership register, or a duplicate membership register, showing the names of the members and their addresses, and the property to which each membership shall relate, the number of membership, the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given notice of all meetings of the members and of the Board of Directors required by the By-Laws 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 of Directors or the By-Laws.

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 times be open to inspection by any director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the President and directors, whenever, they request it, an account of all his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the By-Laws.

Section 10. Business Manager. When so appointed by the Board of Directors, the Business Manager shall have such power and authority as may be delegated to him by the Board of Directors and shall take such action as may be appropriate.

ARTICLE VII Miscellaneous

Section 1. Record Date and Closing Membership Register. The Board of Directors may fix a time, in the future, not exceeding fifteen (15) days preceding the date of any meeting of members, and not exceeding thirty (30) days preceding the date fixed for the payment of any distribution, as a record date for the determination of the members entitled to notice of and to vote at any such meeting, or entitled to receive any such distribution, and in such case only members of record on the date so fixed shall be entitled to notice of and to vote at such meeting, or to receive such distribution, as the case may be, notwithstanding any transfer of any memberships on the books of the Association after any record date fixed as aforesaid.

The Board of Directors may close the books of the Association against transfers of memberships during the whole, or any part, of any such period.

Section 2. Inspection of Corporate Records. The membership register or duplicate membership register, the books of account and minutes of proceedings of the members and directors shall be open to inspection upon the written demand of any member, at any reasonable time, and for a purpose reasonably related to his interests as a member, and shall be produced at any time when required by the demand of members entitled to cast at least ten percent (10%) of the votes represented at any members' meeting. Such inspection may be made in person or by an agent or attorney, and shall include the right to make extracts. Demands of inspection other than at a members' meeting shall be made in writing upon the President or Secretary. Every such demand, unless granted, shall be referred by such officer to the Board of Directors.

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for the 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 person or persons and in such a manner as, from time to time, shall be determined by resolution of the Board of Directors. Such Board resolution shall not deviate from the requirements of Article VI, Section 1 for officers and agents who are not bonded.