

BY-LAWS
OF
CATALINA TERRACE HOMEOWNERS' ASSOCIATION, INC.
a California Non-Profit Mutual Benefit Corporation

ARTICLE I

GENERAL PROVISIONS

1.01 Name. The name of this Corporation is Catalina Terrace Homeowners' Association, Inc., a California non-profit mutual benefit corporation (hereinafter referred to as the "Corporation").

1.02 Office Location. The Corporation shall have its principal office at such location within the County of Los Angeles, State of California, as the Board of Directors of the Corporation may determine or as the affairs of the Corporation may require from time to time.

1.03 Purpose of the Corporation. The purposes of the Corporation shall be those set forth in its Articles of Incorporation and to carry out, exercise, discharge, operate, manage and enforce for the mutual benefit of the Corporation and all of its members (i) the provisions of the Declaration of Covenants, Conditions and Restrictions for Catalina Terrace at Monterey Hills, (hereinafter referred to as the "Declaration") recorded in the Office of the County Recorder of Los Angeles County, State of California, as the same may, from time to time, be amended and (ii) the provisions of these By-Laws, as the same may, from time to time, be amended.

1.04 Definitions. Unless separately defined herein or the context otherwise requires, the names, words and phrases used herein shall have the same meanings as set forth in the Declaration.

1.05 Applicability. The provisions of these By-Laws are applicable to the Project, its operation, occupancy, ownership, maintenance and use and to all present and future Owners, members of their family, tenants, guests, agents, employees or licensees and to any other person or persons who may use the Project or its facilities in any manner. The acceptance of a deed to any Condominium and/or the entering into occupancy or use of any Condominium in the Project shall constitute (i) an acceptance and ratification of these By-Laws and the Declaration and (ii) an agreement to be bound by and comply with the provisions of these By-Laws and the Declaration as either or both may, from time to time, be amended.

ARTICLE II

MEMBERS OF CORPORATION

2.01 Membership. Every person, firm, partnership, corporation, association or other entity who is or shall at any time become the Owner of a Condominium within the Project (including Declarant with respect to any retained or unsold Condominiums) shall automatically, upon becoming such Owner, become a member of the Corporation. Every such member of the Corporation shall be, except as otherwise provided in the Declaration and these By-Laws, subject to and shall comply with each and all of the provisions of the Articles of Incorporation of the Corporation, these By-Laws and the Declaration as the same or any or all of them may, from time to time, be amended. Declarant, its successors and assigns, shall be deemed the Owner of all Condominiums retained or unsold by Declarant.

2.02 Transfer and Termination of Membership. Membership in the Corporation is appurtenant to and inseparable from the ownership of a Condominium within the Project and shall not be transferred, conveyed or alienated in any way, except in compliance with the provisions of Article 18 of the Declaration. Any transfer or attempted transfer made in violation of the immediately preceding sentence shall be void and will not be reflected on the books and records of the Corporation.

2.03 Classes of Membership. The Corporation shall have two (2) classes of membership as more particularly set forth in the Declaration.

2.04 Meetings.

(a) Place. Annual and special meetings of the members of the Corporation shall be held within the Project or at such other place as close thereto as practicable which may be designated by resolution of the Board of Directors.

(b) Annual Meeting. The first annual meeting of the members of the Corporation shall be held within forty-five (45) days after the closing of escrow for the sale of fifty-one percent (51%) of the number of Condominiums within the Project, but in no event later than six (6) months from the date of the closing of escrow for the sale of the first Condominium within the Project. Thereafter annual meetings of the Corporation shall be held at 8:00 p.m. on each anniversary date of the first annual meeting for the purpose of electing Directors and transacting any other business as may properly come before the members at said meeting provided that if such day be a legal holiday, said meeting shall be held at the same hour on the next succeeding business day.

(c) Special Meetings. Special meetings of the members of the Corporation shall be promptly called by the President upon the vote for such a meeting by a majority of a quorum of the Board, or upon written request therefor signed by members otherwise entitled to vote holding in the aggregate at least five percent (5%) of the total voting power of the Corporation.

(d) Notice of Meetings. Written or printed notices stating the place, day and hour of any meeting of the members of the Corporation shall be delivered personally or by mail to each member of the Corporation not less than ten (10) days nor more than ninety (90) days before any meeting at which members are required or permitted to take any action. The notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken.

(e) Voting Rights. Each member otherwise entitled to vote shall have the right to the number of votes set forth in Paragraph 5.03 of the Declaration. For the purpose of this Section 2.04(e), joint Owners of any Condominium shall be deemed one Owner. The vote of the members otherwise entitled to vote who hold in the aggregate a majority of the voting power represented at a quorum shall decide any question brought before any special or annual meeting unless the question is one upon which, by express provision of statute, the Articles of Incorporation, the Declaration or these By-Laws, a different vote is required, in which case such express provision shall govern and control. Cumulative voting in the election of the Board of Directors shall be prescribed for all elections in which more than two positions of the Board of Directors are to be filled subject only to the procedural prerequisites to cumulative voting prescribed in Section 7615(b) of the Corporations Code. All voting for the election or removal of Directors shall be by secret ballot.

(f) Suspension of Rights. If any member of the Corporation shall be in breach of the Declaration or these By-Laws, including but not limited to the failure of such member to pay any Assessment on or before the due date thereof, the member's rights as a member of the Corporation and under the Declaration may be suspended, the Board may impose monetary penalties or other disciplinary measures in compliance with the procedures set forth in this Section 2.04(f), and such procedures shall be deemed the procedure referred to in Section 7341 of the California Corporations Code. No such suspension shall be made except after a meeting of the Board at which a quorum is present, provided in these By-Laws for the noticing, calling and holding of a special meeting of the Board. Written notice of such meeting and the reason or reasons for the proposed suspension shall be given to the member whose privileges are sought to be suspended at least fifteen (15) days prior to the holding of such meeting. Such member shall be entitled to

appear at such meeting and present his case as to why his privileges should not be suspended. The decision as to whether such privileges should be suspended shall be made by a majority from the members of the Board present at such meeting. In the event the Board votes in favor of the suspension, it shall not be effective until five (5) days after written notice has been given to the member of the suspension and the reason or reasons therefor.

The rights and privileges of any member whose membership has been suspended as provided in the preceding paragraph may be restored, and the member returned to good standing by the Board upon receipt of evidence that all breaches by the member of the Declaration, these By-Laws, and the Rules and Regulations have been cured, or in the event that any such breach is incapable of being cured, upon satisfaction by the member of such other conditions as the Board may deem appropriate.

(g) Quorum. Unless otherwise provided by statute, the Articles of Incorporation, the Declaration or these By-Laws, the presence at a meeting, in person or by proxy of members representing and entitled to cast at least fifty percent (50%) of the total votes shall constitute a quorum for the transaction of business at all meetings of the members of the Corporation. If at any meeting of the Corporation a quorum is not present, a majority of the votes present and entitled to be cast, either in person or by proxy, may unless otherwise provided by law, adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time for which the original meeting was called and at such adjourned meeting the presence of Owners otherwise entitled to vote and holding in the aggregate at least twenty-five percent (25%) of the total votes, as described above, shall constitute a quorum. 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 same manner prescribed for regular meetings.

(h) Proxies. At any meeting of the members of the Corporation, each member entitled to vote may vote in person or by proxy, provided that any such proxy shall be in writing, executed by the member entitled to vote or by his duly authorized attorney-in-fact and filed with the Secretary of the Corporation at or before any meeting at which a vote by such proxy may be cast. Any such proxy shall (i) not be valid for longer than eleven (11) months from the date of its execution unless otherwise provided in said proxy, provided that in no case shall any proxy be valid for more than three (3) years from the date of its execution, (ii) be revocable; (iii) automatically cease to be valid upon the conveyance of the Condominium owned by the member executing or authorizing the

execution of said proxy and (iv) be invalid during any period within which the voting rights of the member executing or authorizing the execution of same shall be suspended. In any election of Directors, any form of proxy or written ballot in which the Directors to be voted upon are named therein as candidates and which is marked by a member "withhold" or otherwise marked by a member in a manner indicating that the authority to vote for the election of directors is withheld shall not be voted either for or against the election of a Director.

(i) Consent of Absentees. The transaction of any business at any meeting of the members of the Corporation, whether an annual or special meeting, however called or noticed, shall be valid as though had at a meeting duly held after regular call and notice thereof if there was a quorum present either in person or by proxy and if either before or after such meeting each member who would have been entitled to vote if he had been present in person or by proxy, signs a waiver of notice or a consent to the holding of such meeting or approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Corporation or made a part of the minutes of the meeting.

(j) Adjourned Meetings and Notices Thereof. Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the votes present in person or by proxy and otherwise entitled to be cast, but in the absence of a quorum, no other business may be transacted at any such meeting. When any membership meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting, other than by announcement thereof at the meeting from which such adjournment is taken.

2.05 Action Without Meeting. Any action that may be taken at any annual or special meeting of members, except for the election of directors, may be taken without a meeting and without prior notice upon compliance with the provisions of this Paragraph 2.05. The Corporation shall distribute a written ballot to each member entitled to vote on the matter; such ballots shall be mailed or delivered in the manner required by Paragraph 2.04(d) hereof for giving notice of special meetings. Each ballot shall: (i) set forth the proposed action; (ii) provide an opportunity to specify approval or disapproval of any proposal; and (iii) provide a reasonable time within which to return the ballot to the Corporation. All solicitations of votes by ballot shall: (i) indicate the number of responses needed to meet the quorum requirement; (ii) state the percentage of approvals necessary to pass the

measure or measures; and (iii) specify the time by which the ballot must be received in order to be counted. Approval by written ballot pursuant to this Section 2.05 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 the meeting at which the total number of votes cast was the same as the number of votes cast by ballot. No written ballot may be revoked after delivery to the Corporation or deposit in the mails, whichever first occurs. All written ballots shall be filed with the Secretary of the Corporation and maintained in the Corporation's records for a period of at least two (2) years.

2.06 Record Date. The record date for determining which members of the Corporation shall be entitled to vote at or receive notice of any meeting, to vote by written ballot without a meeting, or to take any other action shall be fixed or determined in the following manner:

(a) For any meeting of the members of the Corporation, or for any vote of the members by written ballot without a meeting, or for any other action by the members, the Board may fix, in advance thereof, a record date which, for the purposes of determining the members entitled to receive notice of a meeting, shall not be more than sixty (60) nor fewer than ten (10) days before the date of such meeting, and for all other purposes shall be not more than sixty (60) days before the date on which the meeting is held, or the date on which the first written ballot is mailed or solicited, or the date of any other action.

(b) If not fixed by the Board, the record date for determining those members entitled to receive notice of a meeting of members shall be the close of business on the business day preceding the day on which notice is given, or, if notice is waived, the close of business on the business day preceding the day on which the meeting is held.

(c) If not fixed by the Board, the record date for determining those members entitled to vote at a meeting of members shall be the day on which the meeting is held.

(d) If not fixed by the Board, the record date for determining those members entitled to vote by written ballot without a meeting shall be the day on which the first written ballot is mailed or solicited.

(e) If not fixed by the Board, the record date for determining those members entitled to take any other action shall be the date the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action whichever is later.

Only members of record on the date so fixed or determined shall be entitled to vote at or receive notice of any meeting, to vote by written ballot without a meeting, or take any other action, as the case may be, notwithstanding the transfer of any membership on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Non-Profit Mutual Benefit Corporation law.

2.07 Liability of Members. No member of the Corporation shall be personally liable for any of the debts, liabilities or obligations of the Corporation.

ARTICLE III

BOARD OF DIRECTORS

3.01 Initial Board of Directors. The initial Board of Directors of the Corporation shall be the five (5) persons designated by Declarant and shall hold said office until the first (1st) annual meeting of the Corporation and until their successors are elected and have qualified.

3.02 Election, Number, Tenure and Qualifications. In accordance with the provisions of Article II of these By-Laws, the initial Board of Directors shall be replaced and the members of the Corporation shall elect a Board of Directors at the first annual meeting of the Corporation in accordance with the provisions of Paragraph 5.03 of the Declaration. The authorized number of directors shall be five (5), each of whom shall serve concurrent terms until the next succeeding annual meeting of the members of the Corporation or until his successor has been elected. Directors need not be members of the Corporation nor reside in the Project.

3.03 Powers. The affairs of the Corporation shall be managed and administered by the Board of Directors and all of the powers and duties of the Corporation shall be exercised by said Board (except such powers as reside in the Architectural Control Committee) including but not limited to all those powers and duties existing under common law and statutes, the Articles of Incorporation of the Corporation, these By-Laws and the Declaration. Without limiting or impairing the generality of the foregoing but subject to the express limitations contained in the Declaration, said powers and duties shall include by shall not be limited to the following:

(a) To estimate, make, budget, charge, assess and collect all Regular Assessments and Special Assessments in accordance with the Declaration.

(b) To use any and all sums received or collected from said Assessments in the exercise of its powers and duties.

(c) To undertake, provide, perform or cause to be performed all maintenance, repair, replacements, alterations, additions, reconstruction and renovation of all or any portion of the Improvements, Common Area or facilities within the Project as set forth in the Declaration.

(d) To make, amend, modify, promulgate and establish such rules, regulations, guidelines and standards for use and occupancy of the Common Area as may be deemed to be proper and which are consistent with the Articles of Incorporation, these By-Laws and the Declaration.

(e) To enforce by equitable and legal means any or all of the provisions of these By-Laws and the Declaration as the same, or either of them, may, from time to time, be amended.

(f) Employ and compensate personnel to perform services required for the proper management and administration of the Corporation, and to contract for services of a Manager for the Project and to delegate to such Manager all powers and duties of the Corporation except such as are specifically required by the Declaration or these By-Laws to be exercised or discharged by the Board of Directors, officers or the members of the Corporation.

(g) To pay all taxes and assessments which are or could become liens against any portion of the Project other than taxes and assessments which are individually assessed against or are liens on individual Condominiums and to assess, levy and collect assessments against the Owners of Condominiums to defray such taxes and assessments as provided in the Declaration.

(h) To purchase or cause to be purchased insurance for the protection of the Project, the Corporation and all Owners of Condominiums against casualty, public liability and such other risks as are set forth in the Declaration or as may be deemed reasonably necessary by the Board of Directors.

(i) To pay all costs of water and all other utility services provided to the Project which are not separately metered or charged to the individual Owners.

(j) To delegate its powers according to these By-Laws, the Declaration and as otherwise authorized by law.

(k) To select the officers, agents and employees of the Corporation, to remove them at pleasure, either with or

without cause, and to prescribe for them duties consistent with the Articles of Incorporation, these By-Laws and the Declaration.

(l) To borrow money and to incur indebtedness for the benefit of the Corporation and to cause to be executed and delivered therefor, in the Corporation's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges or other evidences of debt in security therefor; provided, however, that the majority vote of the members of the Corporation entitled to vote (exclusive of the votes of the Declarant, as to unsold Condominiums, and its successor in interest as to five (5) or more Condominiums) shall be required in order to mortgage or otherwise encumber the Project or the Personal Property of the Corporation.

(m) To designate, from time to time, the person or persons authorized to sign or endorse checks, drafts or other orders for the payment of money, issued in the name of or payable to the Corporation.

(n) To change the principal office for the transaction of affairs of the Corporation from one location to another within the County of _____, as provided in Article I hereof.

(o) To generally exercise such powers and duties as are usually vested in directors of corporations or authorized by the Corporations Code of the State of California.

3.04 Vacancies. Vacancies in the Board of Directors, except vacancies created by the removal of a director pursuant to Paragraph 3.05 hereof, 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 the members of the Corporation or at a special meeting of the Corporation called for that purpose. A vacancy shall be deemed to exist (i) in the case of the death, resignation or removal of any Director, (ii) if the members of the Corporation shall increase the authorized number of Directors, but shall fail at the meeting at which such increase is authorized or any adjournment thereof, to elect additional Directors so provided for, (iii) in case the members of the Corporation fail at any time to elect the full number of authorized Directors, or (iv) if the Board shall, by resolution declare a vacancy of the office of a Director who has been declared of unsound mind by a final order of court or convicted of a felony or who has been found by final order or judgment of any court to have breached a duty under Section 7230 et seq of the California Corporations Code. The members of the Corporation 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 his term of office.

3.05 Removal of Directors. Except as may otherwise be provided in Paragraph 5.02 of the Declaration, at any annual or special meeting duly called any time after the first annual meeting of the members of the Corporation, the entire Board of Directors or an individual Director may be removed (with or without cause) from office by a majority vote of the members of the Corporation present in person or by proxy and otherwise entitled to vote at an election of Directors, provided that unless the entire Board is removed, an individual Director shall not be removed if the votes cast against removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes cast and the entire number of Directors authorized at the time of the most recent election of the Director were then being elected. If any or all Directors are so removed, new Directors may be elected at the same meeting. Any Director whose removal has been proposed by the members of the Corporation shall be given an opportunity to be heard at the meeting at which the question of his removal shall be put to a vote. The term of any Director who is also the Owner of a Condominium within the Project and who becomes more than thirty (30) days delinquent in the payment of any Assessments due and payable to the Corporation shall be automatically terminated and the remaining Directors shall appoint his successor as provided in Section 3.04 above.

3.06 Compensation. No compensation shall be paid to Directors for their services as Directors and no remuneration shall be paid to a Director for services performed by him for the Corporation in any other capacity unless before the services are undertaken a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors, excluding the Director to be so compensated, and approved by the members holding a majority of the voting power of the Corporation residing in members other than Declarant. Notwithstanding the foregoing, the Board may cause a Director to be reimbursed for expenses incurred in carrying on the business of the Corporation.

3.07 Place of Meetings. All meetings of the Board of Directors shall be held at or within the Project, or if not possible, at any other place within the County of _____ as close to the Project as possible and designated at any time by resolution of the Board or by written consent of the members of the Corporation otherwise entitled to vote and holding in the aggregate at least a majority of the voting power of the Corporation.

3.08 Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of their election at such time and place as shall be fixed by the Directors at the meeting at which they were elected. Written notice of the time and place of such organization meeting shall be posted at a prominent place or places within the Common Area.

3.09 Regular 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 Directors, provided that not less than six (6) such regular meetings shall be held during each fiscal year. Notice of such regular meeting shall be given to each Director, personally or by mail, telephone or telegraph, at least four (4) days prior to the date named for such meeting and shall be posted at a prominent place or places within the Common Area; provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

3.10 Special Meetings and Notices Therefor. Special meetings of the Board of Directors may be called for any purpose and at any time by the President or by any two (2) Directors. Written notice of the time and place of such special meeting and the nature of any special business to be considered shall be delivered personally to each Director or sent to each Director, and shall be posted at a prominent place or places within the Common Area at least seventy-two (72) hours prior to the date of the meeting. If such notice is sent to the Director by letter or telegram, it must be mailed in the United States mail or delivered to the telegraph company at or near the place in which the principal office of the Corporation is located, postage and charges prepaid, addressed to him at his address as it is shown on the records of the Corporation. Any mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to each such Director; provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

3.11 Open and Executive Sessions. Except as provided in Paragraph 3.15 hereof, Regular and Special meetings of the Board shall be open to all members of the Corporation, provided, however, that the members who are not Directors may not participate in any deliberations or discussions unless expressly so authorized by the vote of the majority of the quorum of the Board. The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personal matters litigation in which the Corporation 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.

3.12 Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present shall constitute the acts of the Board.

3.13 Adjournment. A quorum of the Directors may adjourn any Directors meeting, to meet again at a stated day and hour. In the absence of a quorum, a majority of the Directors present may adjourn from time to time to meet again at a stated day and hour prior to such time as may be fixed for the next regular meeting of the Board. The motion for adjournment shall be recorded in the minute book of the Corporation; notice of the time and place of the adjourned meeting need not be given to any Director present at the meeting adjourned if the time and place be fixed at the meeting adjourned.

3.14 Liability of Directors. The members of the Board of Directors shall not be liable to the members of the Corporation for any non-willful tort, mistake of judgment, negligence or otherwise, except for the their own individual willful misconduct or bad faith. The members of the Corporation shall and do hereby agree to indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Corporation unless any such contract shall have been made in bad faith. Every contract or agreement made by the Board of Directors or by the Manager on behalf of the Corporation shall provide that any or all of the Directors or the Manager, as the case may be, are acting only as agents for the Corporation and neither the Board nor any member thereof nor the Manager shall have any personal liability therefor, and that the personal liability of any individual member of the Corporation arising out of any such contract or agreement made by the Board of Directors or by the Manager or arising out of the indemnity in favor of any or all of the Directors shall be limited to that portion of the total liability as such member's Percentage Interest in the Common Area bears to the aggregate Percentage Interests of all of the members in the Common Area. Nothing in these By-Laws shall prohibit any member of the Board of Directors from entering into contracts with, or otherwise dealing with, the Corporation provided that any one or more of the circumstances specified in Section 7223 of the California Corporations Code exist. If obtainable at a reasonable cost to the Corporation, the Corporation shall purchase liability insurance for each Director covering his personal liability for his acts and omissions occurring while acting in the capacity of a Director of the Corporation, the cost of which shall be paid by the Corporation as a Common Expense.

3.15 Action Taken Without a Meeting. The Board of Directors may take actions without a meeting if all of the Directors consent in writing to the action to be taken. If the

Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three days after written consents of all Directors have been obtained.

ARTICLE IV

OFFICERS

4.01 Enumeration. The officers of the Corporation shall be a President, a Vice President, a Secretary, a Chief Financial Officer and such other officers as are elected by the Board of Directors. Any two or more offices may be held by the same person.

4.02 Election and Tenure. Except with respect to (i) the officers elected by the initial Board of Directors and (ii) subordinate officers described in Section 4.03 hereof, the officers of the Corporation shall be elected annually by the Board of Directors at the annual organization meeting of the Board, provided that new offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been elected and shall have been qualified.

4.03 Subordinate Officers. The Board of Directors may, from time to time, appoint such other officers as necessary for the management and administration of the Corporation (including but not limited to a Manager) each of whom shall hold such office and shall have such authority and shall perform such duties as are set forth in the Declaration and as the Board of Directors may from time to time determine.

4.04 Removal and Resignation. Any officer elected or appointed by the Board of Directors may be removed by a majority of the Board of Directors whenever in their judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary of the Corporation. Any such resignation will take effect at the date of the receipt of such notice or any later date specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.05 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired term of the officer replaced.

4.06 President. The President shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, supervise, direct and control all of the business and affairs of the Corporation and the officers thereof. He shall preside at all meetings of the members of the Corporation and of the Board of Directors. He may sign, together with the Secretary (or any other officer of the Corporation duly authorized by the Board of Directors) any deed, mortgages, bonds, contracts, agreements or other instruments which the Board of Directors have authorized to be executed except in such case where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws, the Declaration or by statute to some other officer or agent of the Corporation, and shall have all the general powers and perform all of the duties usually vested in the office of President of a Corporation including all the powers and duties as may, from time to time, be prescribed by the Board of Directors, or by these By-Laws.

4.07 Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President and when so acting, shall have all the powers and be subject to all of the restrictions upon the President. Any Vice President shall have such other powers and perform such duties as from time to time may be assigned to him by the President or by the Board of Directors.

4.08 Secretary. The Secretary shall keep the minutes of all meetings of the members of the Corporation and of the Board of Directors in one or more books provided for that purpose. He shall cause all notices to be duly give to the members of the Corporation and to its Board of Directors in accordance with the provisions of these By-Laws, the Declaration or as otherwise required by law. He shall be the custodian of the Corporation's records and of the seal of the Corporation and shall cause said seal to be affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-laws. He shall keep a register of the post office address of each member of the Corporation and its Directors and its officers and shall perform all duties incident to the office of Secretary and such other duties as may be required of him by the provisions of these By-Laws, the Declaration or as from time to time may be assigned to him by the President or by the Board of Directors including but not limited to the filing, recordation and issuance of any notice, document, certificate or other instrument described in the Declaration or these By-Laws.

4.09 Chief Financial Officer. The Chief Financial Officer shall have charge and custody of and be responsible for all funds, securities and proceeds collected, owned and received by the Corporation from any source whatever and

deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws and the Declaration. He shall keep and maintain the assessment rolls and the accounts of the members of the Corporation, keep and maintain the books of the Corporation in accordance with generally accepted accounting principles, prepare such financial statements and distribute same in accordance with the provisions of the Declaration, and shall perform all other duties indident to the office of Chief Financial Officer and such other duties as from time to time may be assigned to him by the President or the Board of Directors. If required by the Board of Directors, the Chief Financial Officer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

4.10 Committees. The Board may designate an Executive Committee and such other committee or committees as it may from time to time deem desireable and may delegate to any committee so created, any of the powers and authority of the Board in the management of the Project. Each such committee shall be composed of not less than three (3) members, each of whom shall be a member of the Association and the term of such committee shall be as stated by the Board. Action taken by any such committee shall be by vote of a majority of the members of such committee. The appointment of any such committee and the delegation thereto of powers and authorities of the Board shall not relieve the Board from responsibility for any action taken by that committee, nor shall any such delegation of authority prevent the Board from directly exercising any of its powers or authority whether or not so delegated. Pursuant to Paragraph 14.05 of the Declaration, at such time as the Board shall have appointed all of the members of the Arthitectural Control Committee in accordance with Paragraph 14.02 of the Declaration, said committee shall be deemed a committee of the Board.

4.11 Compensation. No compensation shall be paid to any Officer for his services as an Officer and no remuneration shall be paid to any Officer for services performed by him for the Corporation in any other capacity unless before the services are undertaken a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors and approved by members holding a majority of the voting power of the Corporation residing in members other than Declarant. Notwithstanding the foregoing, the Board may cause an Officer to be reimbursed for expenses incurred in carrying on the business of the Corporation.

ARTICLE V

MISCELLANEOUS

5.01 Checks, Drafts, etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by resolution of the Board of Directors.

5.02 Contracts. The Board of Directors, except as otherwise provided in these By-Laws and the Declaration, may authorize any Officer, Manager, Agent or Employee to enter into any contract or execute any instrument in the name of or on behalf of the Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no Officer, Manager, Agent or Employee shall have any power or authority to bind the Corporation by any contract, agreement or engagement or to pledge the credit of the Corporation or to render the Corporation liable for any purpose or to any amount.

5.03 Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, savings and loan associations or other depositories as the Board of Directors may select.

5.04 Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or devise for any general or special purpose of the Corporation.

5.05 Inspection of By-Laws. The Corporation shall keep in its principal office a true and correct copy of these By-Laws as the same may, from time to time, be amended, which shall be open to inspection by the members of the Corporation at all reasonable times during office hours.

5.06 Maintenance of Corporate Records. The Corporation shall keep at the principal executive office of the Corporation:

- (a) Adequate and correct books and records of account;
- (b) Minutes in written form of the proceedings of its members, Board, and committees of the Board; and
- (c) A record of its members, giving their names and addresses and the class of membership held by each.

5.07 Members' Inspection Rights. Subject to the Corporation's rights under Chapter 13 of the California Non-Profit Mutual Benefit Corporation Law, any member of the Corporation,

in person or by an agent or attorney, for a purpose reasonably related to such member's interest as a member of the Corporation, may (i) inspect and copy the records of members' names, addresses and voting rights during usual business hours on five (5) days' prior written demand on the Corporation, stating the purpose for which the inspection rights are requested; (ii) obtain from the Secretary of the Corporation, on written demand and on the tender of the Secretary's usual charges, a list of members' names, addresses and voting rights, as of the most recent date for which such list has been compiled or as of a date specified by the member and subsequent to the date of demand, which demand shall state the purpose for which the list is requested. The list shall be made available on or before the later of ten (10) days after the demand is received or the date specified as the date as of which the list is to be compiled; or (iii) inspect and copy the accounting books and records and the minutes of the proceedings of the members, the Board and committees of the Board during usual business hours on five (5) days' prior written demand on the Corporation, which demand shall state the purpose for which the accounting, books, records and minutes are requested.

Each member who requests a copy of or permission to inspect the list of members' names, addresses and voting rights hereby agrees that he will not make any commercial use of the same and will not distribute a copy thereof to any third party.

5.08 Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of the Corporation and to inspect the physical properties owned or controlled by the Corporation. Such inspection by a Director may be made in person or by an agent or attorney.

5.09 Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors and having been so determined is subject to change from time to time as the Board of Directors shall determine.

5.10 Assessment Rolls. The assessment rolls shall be maintained in a set of accounting books in which there shall be an account for each Condominium within the Project. Such account shall designate the name and street address of the Condominium, its Owner, the amounts of any and all assessments and delinquencies with respect to said Owner and his Condominium, the dates and amounts in which the assessments come due, the amounts paid upon account thereof and the balance due upon any assessment.

5.11 Annual Audit. The Board of Directors shall, in accordance with the provisions of Section 7.02 of the Declaration cause an independent audit of the financial affairs of the Corporation to be made on an annual basis.

5.12 Conflicts. If there are any conflicts or inconsistencies between the provisions of the Declaration and these By-Laws, the terms and provisions of the Declaration shall prevail.

5.13 Amendment of By-Laws by Members. New By-Laws may be adopted and these By-Laws may be amended or repealed by both (i) approval of a majority of the total voting power of the members of the Corporation, and (ii) approval of a majority of the voting power of the members of the Corporation excluding the votes of Declarant as to any unsold or retained units. Notwithstanding the foregoing, in the event any provision contained in these By-Laws prescribes a percentage of votes required for action to be taken under that clause, said clause may be amended or repealed only by the percentage of votes necessary for action to be taken thereunder.

5.14 Amendment to Articles of Incorporation. The Articles of Incorporation of the Corporation may be amended by both (i) approval of a majority of the Board of Directors of the Corporation, and (ii) approval of a majority of the total voting power of the members of the Corporation, which shall include approval of a majority of the voting power of the members of the Corporation excluding the votes of Declarant as to any unsold or retained units. Notwithstanding the foregoing, in the event any provision contained in the Articles of Incorporation of the Corporation prescribes a percentage of votes required for action to be taken under that provision, said provision may be amended or repealed only by the percentage of votes necessary for action to be taken thereunder.

5.15 Use of Pronouns. As used in these By-Laws, the neuter pronoun shall include the masculine, and the masculine the feminine, and the singular shall include the plural, and the plural the singular.

THIS IS TO CERTIFY: That I am the duly elected, qualified and acting Secretary of said Corporation and that the foregoing By-Laws were adopted as the By-Laws of said Corporation on the _____ day of _____, 198_.

S/

Secretary

AMENDMENT TO BY-LAWS OF
CATALINA TERRACE HOMEOWNERS ASSOCIATION,
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION

WHEREAS, it is deemed to be in best interests of the Corporation and its members that the bylaws of the Corporation be amended in certain respects; and

WHEREAS, the following amendments to the Bylaws of their Corporation have been approved by the requisite vote of the members as set forth in Section 5.13 of Article V of the By-laws;

NOW, THEREFORE, be it resolved, that the following amendments to the By-laws of this Corporation are approved and adopted:

A. Section 3.03 of Article III of the By-laws of this Corporation is hereby amended to read in its entirety as follows:

"3.03 Powers. The affairs of the Corporation shall be managed and administered by the Board of Directors and all of the powers and duties of the Corporation shall be exercised by said Board (except such powers as reside in the Architectural Control Committee) including but not limited to all those powers and duties existing under common law and statutes, the Articles of Incorporation of the Corporation, these By-Laws and the Declaration. Without limiting or impairing the generality of the foregoing but subject to the express limitations contained in the Declaration, said powers and duties shall include but shall not be limited to the following:

(a) To estimate, make, budget, charge, assess and collect all Regular Assessments and Special Assessments in accordance with the Declaration.

(b) To use any and all sums received or collected from said Assessments in the exercise of its powers and duties.

(c) To undertake, provide, perform or cause to be performed all maintenance, repair, replacements, alterations, additions, reconstruction and renovation of all or any portion of the Improvements, Common Area or facilities within the Project as set forth in the Declaration.

(d) To make, amend, modify, promulgate and establish such rules, regulations, guidelines and standards for use and occupancy of the Common Area as may be deemed to be proper and which are consistent with the Articles of Incorporation, these By-Laws and the Declaration.

(e) To enforce by equitable and legal means any or all of the provisions of these By-Laws and the Declaration as the same, or either of them, may, from time to time, be amended.

(f) Employ and compensate personnel to perform services required for the proper management and administration of the Corporation, and to contract for services of a Manager for the Project and to delegate to such Manager all powers and duties of the Corporation except such as are specifically required by the Declaration or these By-Laws to be exercised or discharged by the Board of Directors, officers or the members of the Corporation.

(g) To pay all taxes and assessments which are or could become liens against any portion of the Project other than taxes and assessments which are individually assessed

against or are liens on individual Condominiums and to assess, levy and collect assessments against the Owners of Condominiums to defray such taxes and assessments as provided in the Declaration.

(h) To purchase or cause to be purchased insurance for the protection of the Project, the Corporation and all Owners of Condominiums against casualty, public liability and such other risks as are set forth in the Declaration or as may be deemed reasonably necessary by the Board of Directors.

(i) To pay all costs of water and all other utility services provided to the Project which are not separately metered or charged to the individual Owners.

(j) To delegate its powers according to these By-Laws, the Declaration and as otherwise authorized by law.

(k) To select the officers, agents and employees of the Corporation, to remove them at pleasure, either with or without cause, and to prescribe for them duties consistent with the Articles of Incorporation, these By-Laws and the Declaration.

(l) To borrow money and to incur indebtedness for the benefit of the Corporation and to cause to be executed and delivered therefor, in the Corporation's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges or other evidences of debt in security therefor; provided, however, that the majority vote of the members of the Corporation entitled to vote (exclusive of the votes of the Declarant, as to unsold Condominiums, and its successor in interest as to five (5) or more Condominiums) shall be required in order to mortgage or otherwise encumber the Project or the Personal Property of the Corporation.

(m) To designate, from time to time, the person or persons authorized to sign or endorse checks, drafts or other orders for the payment of money, issued in the name of or payable to the Corporation.

(n) To change the principal office for the transaction of affairs of the Corporation from one location to another within the County of Los Angeles, as provided in Article I hereof.

(o) To make available to any prospective purchaser of a Condominium, any Owner of a Condominium, any First Mortgagee, and the holders, insurers and guarantors of a first Mortgage on any Condominium, current copies of the Declaration of the Articles of Incorporation, the By-laws, rules governing the Condominium, and all other books, records and financial statements of the Association.

(p) To permit utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development and operation of the Project.

(q) To generally exercise such powers and duties as are usually vested in directors of corporations or authorized by the California Corporations Code."

B. Section 4.06 of Article IV of the By-Laws of this Corporation is hereby amended to read in its entirety as follows:

"4.06 President. The President shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, supervise, direct and control all of the business and affairs of the Corporation and the officers thereof. He shall preside at all meetings of the members of the Corporation and of the Board of Directors. He

may sign, together with the Secretary (or any other officer of the Corporation duly authorized by the Board of Directors) any deed, mortgages, bonds, contracts, agreements or other instruments which the Board of Directors have been authorized to be executed except in such case where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws, the Declaration or by statute to some other officer or agent of the Corporation, and he shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of the Corporation. In addition, he shall have all the general powers and perform all the duties usually vested in the office President of a Corporation, including all such powers and duties as may, from time to time, be prescribed by the Board of Directors or by these By-Laws."

C. Section 4.09 of Article IV of the By-Laws of this Corporation is hereby amended to read in its entirety as follows:

"4.09 Chief Financial Officer. The Chief Financial Officer shall have charge and custody of and be responsible for all funds, securities and proceeds collected, owned and received by the Corporation from any source whatever and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws and the Declaration. He shall keep and maintain the assessment rolls and the accounts of the members of the Corporation, keep and maintain the books of the Corporation in accordance with generally accepted accounting principals, prepare such financial statements and distribute same in accordance with the provisions of the Declaration, and shall perform all other duties incident to the office of chief financial officer and such other duties as from time to time may be assigned to him by the President or the Board of Directors. The Chief

Financial Officer shall sign all checks and promissory notes of the Association. If required by the Board of Directors, the Chief Financial Officer shall give a bond for the faithful discharge of his duties in such sum and with which surety or sureties as the Board of Directors shall determine."

D. Section 5.01 of Article V of the By-Laws of this Corporation is hereby amended to read in its entirety as follows:

"5.01 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation shall be signed or endorsed by the President and Chief Financial Officer or by any other officer and in such manner from time to time shall be determined by resolution by the Board of Directors."

E. Section 5.13 of Article V of the By-Laws of this Corporation is hereby amended to read in its entirety as follows:

"5.13 Amendment of By-Laws by Members. New By-Laws may be adopted and these By-Laws may be amended or repealed by both (i) approval of a majority of the total voting power of the members of the Corporation and (ii) approval of a majority of the voting power of the members of the Corporation excluding the votes of Declarant as to any unsold or retained units. Notwithstanding the foregoing, the event any provision contained in these By-Laws prescribed a percentage of votes required for action to be taken under that clause, said clause may be amended or repealed only by the percentage of votes necessary for action to be taken thereunder. So long as there is a Class B membership, any Amendment to these By-Laws shall