



BYLAWS
OF
MONTAGE AT MISSION HILLS, INC.
A California Nonprofit Mutual Benefit Corporation

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TABLE OF CONTENTS

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
I	NAME OF THE ASSOCIATION	1
II	INTRODUCTION	1
2.01	Incorporation of Definitions	1
III	MEETINGS OF MEMBERS	1
3.01	Special and Regular Annual Meetings of Members	1
3.02	Notice of Meetings	2
3.03	Conduct of Meetings	2
3.04	Action Without A Meeting	2
3.05	Quorum	2
3.06	Proxies	2
3.07	Voting and Election of Directors	2
3.08	Membership and Voting Rights	3
3.09	Record Date	3
3.10	Inspectors of Election	3
IV	ASSOCIATION'S BOOKS AND RECORDS AND RIGHTS TO INSPECTION THEREOF	3
4.01	Books and Records of the Association	3
V	BOARD OF DIRECTORS	4
5.01	Powers and Duties of the Board	4
5.02	Number, Election, and Term of Office	4
5.03	Vacancies	5
5.04	Removal of Directors	5
5.05	Regular Meetings	5
5.06	Special Meetings and Notices	6
5.07	Place of Meetings	6
5.08	Waiver of Notice	6
5.09	Adjournment	6
5.10	Quorum	6
5.11	Action Without Meeting	7
5.12	Conduct of Meeting	7
5.13	Executive Sessions	7
5.14	Fidelity Bonds	7
5.15	Committees	7

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
VI	OFFICERS	8
6.01	Enumeration of Officers	8
6.02	Election and Term of Office	8
6.03	Removal and Resignation	8
6.04	Vacancies	8
6.05	President	8
6.06	Vice President	9
6.07	Treasurer	9
6.08	Secretary	9
6.09	Manager or Management Company	9
VII	INDEMNIFICATION AND LIABILITY	10
7.01	Liability of the Board and Officers	10
7.02	Indemnification of Agents	10
VIII	MISCELLANEOUS	10
8.01	Checks, Drafts, Etc.	10
8.02	Conflicts	10
8.03	Notices	10
IX	AMENDMENTS	11
	DIRECTORS' SIGNATURE	12

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ARTICLE I

Name of the Association

The name of the Association is Montage at Mission Hills, Inc. ("Association").

ARTICLE II

Introduction

2.01 Incorporation of Definitions.

The definitions contained in the Declaration of Covenants, Conditions, Restrictions and Easements ("Declaration") recorded in this Project are applicable to the same terms used in these Bylaws.

ARTICLE III

Meetings of Members

3.01 Special and Regular Annual Meetings of Members.

- (a) At least once a year, a regular annual meeting of Members shall be held at approximately the same time each year. The exact time shall be decided by the Board.
- (b) The first annual Member meeting must be held within forty-five (45) days after the sale that represents the fifty-first (51st) percentile of Lots authorized for sale in the DRE public report, but in no event shall it be held later than six (6) months after the closing of the first sale.
- (c) Every year, the Board must schedule subsequent annual Member meetings within thirty (30) days of the same date as the first meeting (not on a legal holiday).
- (d) At the annual meetings, Members shall elect a Board of Directors in accordance with these Bylaws and transact other Association business.

- (e) Special meetings shall be held pursuant to Corporations Code Sections 7510 and 7511.
- (f) Member meetings shall be held in compliance with Civil Code Section 1363.05.

3.02 Notice of Meetings.

Notice of meetings (Regular or Special) shall be given in compliance with Corporations Code Section 7511.

3.03 Conduct of Meetings.

Member meetings must be conducted in accordance with a recognized system of parliamentary procedures as the Association may adopt.

3.04 Action Without a Meeting.

Any action (except the election of directors) that may be taken at any Members' meeting may be taken without a meeting in compliance Corporation Code Section 7513.

3.05 Quorum.

- (a) The presence, in person, by the attorney in fact, or by proxy, of Members entitled to cast a majority of the total voting power of the Association constitute a quorum for all Member meetings (except as otherwise specifically provided in these Bylaws or the Declaration).
- (b) Once a quorum has been established at a meeting, Members may do business until adjournment, even if attendance becomes less than the quorum amount during the course of the meeting, and as long as any action taken is approved by at least a majority of the Members required to constitute a quorum.
- (c) Whether or not a quorum is present, a majority of Members present (in person or by proxy) may adjourn the meeting until a date not less than five (5) nor more than thirty (30) days from the original meeting date, with the quorum requirement for the new meeting reduced to twenty-five percent (25%) of the total voting power. Notice of the adjourned meeting need not be given if the time and place is announced prior to adjournment.

3.06 Proxies.

A Member may vote by proxy executed in writing by the Member (or duly authorized attorney-in-fact) in compliance with Corporate Code Section 7613.

3.07 Voting and Election of Directors.

- (a) Voting for Board members will be by secret written ballot, unless unanimously waived by the Members present.

- (b) Cumulative voting in the election of Board Members is required for all elections in which more than two positions are to be filled and is subject only to the procedural prerequisites to cumulative voting prescribed in Section 7615(b) of the Corporations Code, which currently provides for cumulative voting only if (1) at least one member has announced an intention to cumulative voting, and (2) if candidates have been placed in nomination prior to voting. Under such voting, a member may give one candidate a number of votes equal to the number of directors to be elected, or distribute the votes among the candidates in any manner.
- (c) The first election of Directors to the Board of Directors of the Association shall be conducted at the first meeting of the Association.
- (d) Not less than twenty percent (20%) of the total number of Board Directors ("specially elected" directors) shall be elected by a majority vote of the Members other than Declarant as long as:
 - (1) A majority of Association voting power resides in the Declarant; or
 - (2) There are two outstanding classes of Association Membership.
- (e) If twenty percent (20%) of the total number of Board Directors is a fractional number, the number of Directors to be elected by Members other than Declarant will be rounded to the next higher whole number.

3.08 Membership and Voting Rights.

The membership and voting rights contained in the Declaration are incorporated herein by reference.

3.09 Record Date.

The Record Date for determining the Members entitled to notice and to vote shall be determined in compliance with Corporate Code Section 7611.

3.10 Inspectors of Election.

Inspectors of Election may be appointed in compliance with Corporation Code Section 7614.

ARTICLE IV

Association's Books and Records; Rights to Inspection

4.01 Books and Records of the Association.

- (a) The Board will keep membership registers (including mailing addresses and telephone numbers), account books and minutes of meetings of Members, the Board, and committees as reasonably necessary.

- (b) Association books and records except those documents that are reasonably determined by the Board to be confidential (e.g., ballots), are available for inspection and copying by any Association Member (or representative) at any reasonable time and for a purpose reasonably related to a Member's interest at the Association office (or other location established by the Board). The Board shall adopt reasonable rules relating to such inspections.
- (c) Every Director shall have the absolute right, at any reasonable time, to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extract and copies of documents.

ARTICLE V

Board of Directors

5.01 Powers and Duties of the Board.

Association activities shall be conducted under the direction of a Board of Directors (subject to the Governing Documents and the California Nonprofit Mutual Benefit Corporation Law specifying action that must be approved by the Members).

5.02 Number, Election, and Term of Office.

- (a) The authorized number of Directors shall be not less than three (3) or more than five (5). The exact number of Directors within these limits shall be fixed by approval of a majority of Owners representing a quorum.
- (b) The terms of office of the Directors shall be as follows (except as otherwise stated) :
 - (i) if there are three (3) Directors, two (2) Directors shall serve for three (3) years; one (1) Director shall serve for two (2) years; (ii) if there are five (5) Directors, three (3) Directors shall each serve three (3) year terms, and two (2) shall serve two (2) year terms. At any election of Directors by Members where more than one (1) Director will be elected, the candidates receiving the highest number of votes shall, in order starting with the most votes, fill the Director positions starting with the position designated with the longest terms.
- (c) The initial Directors shall be designated by the incorporator as soon as practical after the incorporation of the Association. The incorporator shall designate one of the two (2) Directors appointed to a two (2) year term to be replaced, regardless of the time served, at the election to take place at the first annual meeting of Members as specified below.
- (d) At the first annual meeting of Members, the Members, not including the Declarant, shall elect one (1) Director to replace the Director specified by the incorporator to be replaced at this election. The other Directors shall continue to fulfill the remaining terms of office plus continue to serve any additional time until the next annual meeting immediately following the expiration of the official term.

5.03 Vacancies.

- (a) A vacancy exists if:
 - (1) A Director resigns, dies, or is removed from office;
 - (2) The Members increase the number of authorized Directors but do not elect the additional Directors at the meeting; or
 - (3) The Members do not elect the full number of Directors.
- (b) Board vacancies (except as a result of removal) or a vacancy for a specially elected Director may be filled by a simple majority of Directors for the remainder of the term of the position that became vacant until a successor is elected at an annual or special meeting of Members.
- (c) The Board may declare vacant the office of a Director who is convicted of a felony or declared of unsound mind by a final court order.
- (d) Members may elect:
 - (1) Directors to fill any vacancy not filled by the Directors, at any time; and
 - (2) Additional Directors, at the meeting in which an increase in the number of Directors is authorized.
- (e) Members other than Declarant shall elect a successor to the position specially elected Director made vacant by death, resignation or removal.

5.04 Removal of Directors.

- (a) Directors may be removed pursuant to the provisions of Corporation Code Sections 7222 and 7223.
- (b) Specially elected Director(s) may be removed from office prior to expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.
- (c) Unless the entire Board is removed, no individual Director may be removed if the votes cast against such removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Directors were then being elected.

5.05 Regular Meetings.

- (a) The Board must hold no less than one (1) meeting per quarter on dates established by Board resolution.
- (b) Notice of Regular Board meetings must be given to each Director at least four (4) days before the meeting date.

- (c) The notice of meeting shall be posted at a prominent place in the Common Area, unless it is unsuitable for such posting, in which case the Board shall communicate the notice by appropriate means.
- (d) Regular Meetings shall be held in compliance with Civil Code Section 1363.05.

5.06 Special Meetings and Notices.

- (a) Special Meetings of the Board of Directors may be called at any time for any purpose by the President, Vice President, or any two (2) Directors.
- (b) Written notice specifying the time, place and the nature of business to be conducted at the Special Meeting must be delivered to each Director at least seventy-two (72) hours before the meeting.
- (c) The notice shall be communicated to Members as specified in Section 5.05(c) herein.
- (d) Special Meetings shall be held in compliance with Civil Code Section 1363.05.

5.07 Place Of Meetings.

The meetings shall be held within the Property itself unless, in the judgment of the Board, a larger meeting room is required than exists within the Property in which case the meeting room selected shall be as close as possible to the Property.

5.08 Waiver of Notice.

- (a) A Director may sign a waiver of notice, written consent, or approval of minutes of any meeting.
- (b) Waivers and consents must be filed with Association records or made a part of the minutes of the meeting.
- (c) Director attendance at a Board meeting waives the Director's notice of meeting.

5.09 Adjournment.

- (a) A majority of the Directors present (whether or not they constitute a quorum) may adjourn to another time and place.
- (b) Notice shall be given to any directors not present.

5.10 Quorum.

- (a) A quorum for the transaction of business is a majority of the number of Directors.
- (b) A meeting at which a quorum is initially present may continue to transact business after Directors withdraw, provided that any action is approved by a majority of the required quorum.

5.11 Action Without Meeting.

- (a) The Board may take action without a meeting if all Board Members file their written consent to the action with the Minutes of the Board proceedings.
- (b) Within three (3) days an explanation of the action shall be posted at a prominent place within the Common Area, unless it is unsuitable for such posting, in which case the explanation shall be communicated by other appropriate means.

5.12 Conduct of Meeting

- (a) All Board meetings (except Executive Sessions) are open to all Association Members and mortgage holders (although non-Board Members may not participate in deliberations or decisions unless expressly authorized to do so by a majority of a quorum of the Board).
- (b) Directors may participate in a meeting by telephone as long as all Directors participating can hear one another.

5.13 Executive Sessions.

- (a) With the approval of a majority of its Members, the Board may adjourn a meeting and reconvene in executive session to consider litigation affecting the Association, matters that relate to the formation of contracts with third parties, personnel matters, or other matters where executive sessions are authorized by law..
- (b) The nature of business to be considered in executive sessions must first be announced in open session.
- (c) Any matter discussed in executive session shall be generally noted in the Minutes of the Board.
- (d) In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member, and the Member in question shall be entitled to attend the executive session.

5.14 Nominations of Candidates for the Board.

Procedures for nominations for election to the Board shall comply with Corporation Code Section 7520.

5.15 Committees.

The Board may create committees to serve at the pleasure of the Board. Such committees shall be created only by resolution adopted by a majority of the Directors then in office, provided that a Quorum is present.

ARTICLE VI

Officers

6.01 Enumeration of Officers.

- (a) The Association will have the following officers:
 - (1) A President;
 - (2) A Vice President;
 - (3) A Secretary; and
 - (4) A Treasurer.
- (b) Except for the Secretary and/or Treasurer, officers must be Directors.

6.02 Election of Officers.

At the initial meeting of the Board, officers shall be elected to serve until the next regular annual organizational meeting of the Board to take place after the next election of Directors by Members.

6.03 Removal and Resignation.

- (a) An officer may be removed by the Board whenever the Board determines that such a removal would be in the best interest of the Association.
- (b) An officer may resign at any time.

6.04 Vacancies.

An officer vacancy may be filled for the remainder of the term as prescribed in these Bylaws for regular election or appointment to office.

6.05 President.

The President is the principal executive officer of the Association, with the following duties and powers:

- (a) Generally supervise all of the Association's business and affairs;
- (b) Preside at all meetings of the members and of the Board; and
- (c) Perform all general duties incident to the office of President prescribed by the Board.

6.06 Vice President.

The Vice President will perform the following duties:

- (a) The duties of the President, if the President is absent, unable or unwilling to act; and
- (b) Other duties assigned by the President or the Board.

6.07 Treasurer.

The Treasurer is the chief financial officer of the Association, with the following duties and powers:

- (a) Ensure that adequate and correct accounts of Association properties and business transactions are kept and maintained;
- (b) Send financial statements and reports to Association Members as required;
- (c) Have custody and responsibility for all Association funds and securities;
- (d) Receive all monies payable to the Association and give appropriate receipts;
- (e) Deposit all monies in the name of the Association in banks or depositories selected in accordance with these Bylaws; and
- (f) Perform all general duties incident to the office of Treasurer assigned by the President or the Board.

6.08 Secretary.

The Secretary will perform the following duties:

- (a) Ensure that the minutes of Member, Board and Committee meetings are kept in books for that purpose;
- (b) Ensure that all notices are given as required;
- (c) Have custody of the Association's records; and
- (d) Perform all duties assigned by the President or by the Board.

6.09 Manager or Management Company.

The Board may, from time to time, employ the services of a manager or management company to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager or management company any of its day-to-day management and maintenance duties and powers, provided that the manager or management company shall at all times remain subject to the general control of the Board.

ARTICLE VII

INDEMNIFICATION AND LIABILITY

7.01 Liability of the Board and Officers.

Board Members and Association officers are not liable if they perform their duties in conformance with Corporations Code Sections 7231 and 7231.5, and Civil Code Section 1365.7.

7.02 Indemnification of Agents.

The Association shall indemnify any present or former director, officer, employee or other agent of the Association to the fullest extent authorized under California Corporations Code Section 7237, or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was entitled to indemnification under this provision.

ARTICLE VIII

Miscellaneous

8.01 Checks, Drafts, etc.

All checks, drafts and other orders for payment, or evidence of indebtedness regarding the Association must be signed by such person(s) as the Board may authorize. Notwithstanding the foregoing, any withdrawal of funds from the reserve accounts shall require the signature of two (2) Directors.

8.02 Conflicts.

- (a) In case of conflict between the Declaration and these Bylaws, the Declaration will control.
- (b) In case of conflict between these Bylaws and any applicable State of California law or statute, the law or statute will control.

8.03 Notices.

Unless otherwise specified, giving of all notices shall conform with the provision specified for notices in the Declaration.

ARTICLE IX

Amendments

- (a) The Association may amend these Bylaws as follows:
 - (1) Before the first Lot is sold, Declarant may unilaterally amend these Bylaws.
 - (2) After the First Sale of a Lot:
 - (A) If there is only one membership class, approval by a majority of the total voting power of the Association and a majority of votes other than the Declarant; or
 - (B) If Class B membership exists, approval by a majority of the total voting power of each class of membership.
 - (b) Amendment of the Bylaws requires that it be signed by two officers certifying that it has been approved by the required vote.
 - (c) The specified percentage of members necessary to amend a specific section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that section or provision.
 - (d) If a first mortgagee who receives a written request from the Board to approve a proposed amendment(s) does not return a negative response within thirty (30) days, the first mortgagee will be deemed to be in approval of the amendment(s).
 - (e) Prior written approval of beneficiaries of at least fifty-one (51%) of all first Mortgages on Lots must be secured before any amendment to the provisions of these Bylaws affecting the Section in the Declaration entitled "Restrictions on Certain Changes" may take effect, and this sentence may not be amended without such prior written approval.
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I, THE UNDERSIGNED SECRETARY, certify that the foregoing Bylaws have been approved by a majority of the members of the Association.

X

By:


ASSOCIATION SECRETARY

END