

BY-LAWS OF
MILLSTREAM HOMEOWNERS ASSOCIATION
AMENDMENT TO BYLAWS OF
MILLSTREAM HOMEOWNERS ASSOCIATION

Pursuant to the vote of members of the Millstream Homeowners Association entitled to exercise at least fifty-one percent (51%) of the total voting power of the Association, the following amendment to Article VIII, Section 1, of the Bylaws is hereby adopted:

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BY-LAWS OF
MILLSTREAM HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

Section 1. Name and Location. The name of the corporation is MILLSTREAM HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at the Project in the City of Huntington Beach, County of Orange, State of California.

ARTICLE II

DEFINITIONS

Section 1. "Annexation Property" shall mean and refer to that certain real property more particularly described in the Declaration of Restrictions recorded on the Property, including all Improvements located thereon, which may be annexed to the Property as set forth in the Declaration of Restrictions.

Section 2. "Annual Assessment" shall mean and refer to the charge against each Owner, and his respective Condominium Unit representing a portion of the Common Expenses of the Association.

Section 3. "Association" shall mean and refer to MILLSTREAM HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation, in which all Owners shall have a membership interest as more particularly described in the Declaration of Restrictions recorded on the Property, provided that membership

shall be limited to Owners.

Section 4. "City" shall mean and refer to the City of Huntington Beach, California.

Section 5. "Common Area" shall mean and refer to all of the real property described in Section 16 hereinbelow and all Improvements constructed thereon, excepting therefrom all of the Condominium Units as more particularly defined and described in Section 9 hereinbelow and in the Declaration of Restrictions.

Section 6. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Association for the following: (a) maintaining, managing, operating, repairing and replacing the Common Area; (b) managing and administering the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and any Association employees; (c) providing utilities and other services to the Common Area; (d) providing insurance as provided for herein; (e) paying that portion of any assessment attributable to Common Expenses not paid by the Owner responsible for payment; (f) paying taxes for the Association; and (g) paying for all other goods and services designated by, or in accordance with, other expenses incurred by the Association for the benefit of all Owners.

Section 7. "Condominium" shall mean an estate in real property as defined in California Civil Code, Section 783, consisting of a separate interest in the Condominium Unit, together with an undivided interest in the Common Area.

Section 8. "Condominium Building" shall mean and refer

to a separate building containing one or more Condominium Units.

Section 9. "Condominium Unit" shall mean and refer to the elements of a Condominium which are not owned in common with the owners of other Condominiums in the Project, as more particularly described in the Declaration of Restrictions and in the Condominium Plan.

Section 10. "Declarant" shall mean and refer to MILL-STREAM CONDOMINIUMS, a California limited partnership, and to any person or entity acquiring all of Declarant's interest in the Project (including all of Declarant's rights and obligations as created and established herein), pursuant to a written assignment from Declarant which is recorded in the Office of the County Recorder for Orange County.

Section 11. "Declaration" shall mean and refer to the Declaration of Restrictions recorded or to be recorded on the Property in the Office of the County Recorder for the County of Orange, State of California.

Section 12. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, Condominium Buildings, garages, open parking spaces, pavement, sidewalks, driveways, fences, walls, retaining walls, swimming pool, jacuzzi, common restrooms, tennis court, lakes, streams, patio covers, poles, signs, and all landscaping, together with such other Improvements located in the Annexation Property, as such term is defined in the Declaration.

Section 13. "Member" shall mean and refer to every person or entity who holds membership in the Association, as more

particularly set forth in Article III hereof, and shall be synonymous with the term "Owner" as defined hereinbelow.

Section 14. "Owner" shall mean the record owner, or owners, if more than one, or the purchaser under a conditional sales contract, of a Condominium in the Project.

Section 15. "Project" shall mean and refer to the Property and to all portions of the Annexation Property which are annexed to the Property in accordance with the Declaration of Restrictions recorded on the Property.

Section 16. "Property" shall mean and refer to that certain real property, together with all Improvements constructed thereon, more particularly described as:

Lots 1 and 2 of Tract 9671, as per map filed February 29, 1980, in Book 472, Pages 5 and 6, of Miscellaneous Maps in the Office of the County Recorder of Orange County, California.

Section 17. "Special Assessment" shall mean and refer to the charge against an Owner and his respective Condominium Unit representing a portion of the cost of reconstructing any damaged or destroyed portion or portions of the Common Area, of constructing or installing any capital improvements to the Common Area, or of taking any extraordinary action for the benefit of the Common Area pursuant to the provisions of the Declaration of Restrictions recorded on the Property.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every person or entity who or which is an Owner as defined hereinabove shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in any Condominium in the Project merely as security for the performance of an obligation.

Section 2. Voting Rights. The Association shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners in the Project, with the exception of the Declarant, and shall be entitled to one (1) vote for each Condominium owned. When more than one person holds an interest in any Condominium, all such persons shall be Members. The vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium.

Class B. The Class B Member shall be the Declarant, and shall be entitled to three (3) votes for each Condominium owned in the Project upon which Declarant is then paying the appropriate monthly assessments provided for hereinbelow. The Class B membership shall cease and be converted to Class A membership upon the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the

Class A membership equal the total votes outstanding in the Class B membership; or

(b) The second anniversary of the original issuance of the Final Public Report for the Property.

(c) On the fourth anniversary of the original issuance of the Final Subdivision Public Report for the first Phase of the Project.

Any provision in this Declaration, the Articles of Incorporation or the By-Laws calling for membership approval of action to be taken by the Association shall expressly require an affirmative vote of the stated percentage of each class of Members required in that particular provision. Further, where the governing instruments prescribe two classes of voting and require the vote or written assent of each class of membership for the initiation of action by or in the name of the Association, any requirement elsewhere in this Declaration, the Articles of Incorporation or the By-Laws, other than the Section of this Declaration entitled "Enforcement of Bonded Obligations" and the provisions entitled "Amendments" in the Declaration, Articles of Incorporation or By-Laws, that the vote of the Declarant shall be excluded shall be applicable only if there has been a conversion of class B to Class A votes and only for so long as Declarant holds or directly controls twenty-five percent (25%) or more of the voting power of the Association, and the same shall be read as requiring the vote of the prescribed percentage of the Class A Members and the vote of the prescribed percentage of Class A Members other than Declarant.

Section 3. Vesting of Voting Rights. The voting rights attributable to Condominiums in the Project shall not vest until the assessments provided for in the Declaration against said Condominiums have been levied by the Association.

Section 4. Transfer. The Association membership held by any Owner of a Condominium shall not be transferred, pledged or alienated in any way except upon the sale of such Condominium. In the event of such sale the Association membership may only be transferred, pledged or alienated to a bona fide purchaser of the Condominium, or to the mortgagee (or third-party purchaser) of such Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association.

Section 5. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting. Every proxy shall be revocable and shall automatically cease upon the conveyance by the Member of his Condominium.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Organizational and Annual Meetings. Regular meetings of Members of the Association shall be held not less frequently than once each calendar year at the time and place prescribed by these By-Laws. The first meeting of the Association, whether a regular or special meeting, shall be held within forty-five (45) days after the closing of the sale of the

Condominium which represents the fifty-first (51st) percentile interest authorized for sale under the first Public Report for the Property, but in no event shall the meeting be held later than six (6) months after the closing of the sale of the first Condominium. At such meetings, there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Article VI of these By-Laws. The Members may also transact such other business of the Association as may properly come before them.

Section 2. Special Meetings. A special meeting of the Members of the Association shall be promptly called by the Board of Directors upon:

(a) The vote for such meeting by a majority of a quorum of the Board of Directors; or

(b) Receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Association.

No business shall be transacted at a special meeting except as stated in the notice unless by consent of a quorum of the Owners present, either in person or by proxy.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid. Except in emergency situations, not less than ten (10) days nor more than ninety (90) days notice of any meeting at which Members are required or permitted to take action shall be provided to

each Member, addressed to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken at the meeting.

Section 4. Quorum. The presence in person or by proxy of Owners holding at least fifty-one percent (51%) of the voting power of the Association shall constitute a quorum for the transaction of business at all meetings. In the absence of a quorum at a Members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. The quorum for such a meeting shall be at least twenty-five percent (25%) of the total voting power of the Association, present in person or by proxy. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

Section 5. Action Without Meeting. Any action which may be taken by the vote of Members at any regular or special meeting, except the election of Directors where cumulative voting is a requirement, may be taken without a meeting, if the

Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association pursuant to Section 7513 of the California Corporations Code. All such written ballots shall be filed with the Secretary of the Association and maintained in the corporate records. Approval by written ballot pursuant to this Section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations of ballots shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation shall specify the time by which the ballot must be received in order to be counted. A written ballot may not be revoked. Directors may not be elected by written ballot under this Section.

Section 6. Meetings of the Members. The meetings of the Members shall be held at the Project, or as close thereto within the City as may be designated by the Board of Directors.

ARTICLE V

BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE

Section 1. Number and Qualification of Directors. The affairs of the Association shall be managed by a Board of Directors consisting of five (5) Directors, who need not be Members of the Association so long as the Class B membership shall exist. Thereafter, the Board of Directors shall consist only of Members who are in good standing with the Association.

Section 2. Election and Term of Office. At the first annual meeting of the Association, the Members shall elect the Directors in accordance with the provisions set forth herein. All positions on the Board of Directors shall be filled at that election. The Members shall elect three (3) Directors for a term of two (2) years and two (2) Directors for a term of one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 3. Removal. At any regular or special meeting duly called any one or more of the Directors may be removed with or without cause as provided herein, and a successor may then and there be elected to fill the vacancy so created. Unless the entire Board of Directors is removed from office by the vote of Association Members, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the Director if voted cumulatively at an election at which the same

total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Director were then being elected. A Director who has been elected to office solely by the votes of Members of the Association other than the Declarant may be removed from office prior to the 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 the Declarant.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum, and each Director so elected shall serve until a successor is elected at the next annual meeting of the Association.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment

shall be announced at each meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Nominations may be made from among Members or non-Members so long as the Class B membership exists. Thereafter, nominations shall only be made from among Members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is required for all elections in which two or more positions are to be filled; provided, however, that all cumulative voting hereunder shall comply with the procedural prerequisites of Section 7615(b) of the California Corporations Code, which provides that no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidates' names have been placed in nomination prior to the voting, and a Member has given notice at the meeting prior to voting, of said Member's intention to cumulate votes. If any one Member has given such notice, all Members (including Declarant) shall have the right to cumulate votes and give one (1) candidate or divide among any number of candidates, a number of votes equal to the total number of votes to which said Member is entitled to vote upon other matters multiplied by the number of Directors to be elected. Notwithstanding any other provision

herein or in any other document regarding this Project to the contrary, in the event an election of the Board of Directors shall be held at a time when the Owners other than the Declarant do not have votes sufficient to assure the election by said Owners of at least one (1) Director, then Declarant shall be permitted to select, by vote, a maximum of four (4) Directors, and the Owners, other than the Declarant, shall vote for the selection of the remaining Director.

ARTICLE VII

MEETINGS OF DIRECTORS

Section 1. Regular and Special Meetings. Regular meetings of the Board of Directors shall be held monthly, and on such day and at such hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of the time and place of a regular meeting shall be posted at a prominent place or places within the Common Area, and shall be communicated to the Directors not less than four (4) days prior to the meeting unless the time and place of the meeting is fixed by the Directors and duly adopted herein; 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. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by two (2) Directors, other than the President, after not less than three (3)

days' notice to each Director. The notice shall specify the time and place of the meeting and the nature of any special business to be transacted. Notice of a special meeting shall be posted as prescribed for notice of regular meetings, and shall be sent to all Directors not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

X Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, with the approval of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 2. Meetings of Directors. The meetings of the Directors shall be held at the Project or as close thereto in the City as possible as may be designated by the Board of Directors.

Section 3. Action Without Meeting. The Board of Directors may take any action without a meeting if all members of the Board unanimously consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take any such action, an explanation of the action taken shall be

posted at a prominent place or places within the Common Area within three (3) days after the written consent of all Directors has been obtained.

Section 4. Chairman; Conduct of Meetings. At the first meeting of the Board of Directors, a majority of a quorum of the Directors shall elect a Chairman of the Board to preside over all meetings of the Board held during the Board's term of office. In the event the Chairman shall be absent from any meeting, said meeting shall be presided over by such other Director as may be elected by a majority of a quorum of the Directors. The Secretary of the Association shall act as Secretary of the Board of Directors, but in the event the Secretary shall be absent the Chairman or presiding Director may appoint any person to act as Secretary for the meeting.

Section 5. Quorum. A majority of the total number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

- (a) Exercise all powers, duties and authority vested in the Board by the California Corporations Code, except as otherwise limited in the Declaration of

Restrictions;

(b) Exercise for the Association all powers, duties and authority vested in or delegated to the Association by the Declaration of Restrictions and not reserved to the Membership by other provisions of these By-Laws or the Declaration of Restrictions;

(c) Adopt and publish rules and regulations governing the use of the Common Area and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(d) Assess monetary penalties against a Member, and/or suspend said Member's voting rights and right to use the recreational facilities, if any, for the period during which any assessment against said Member's Condominium remains unpaid; provided, however, the due process requirements set forth in Section 7341 of the California Corporations Code shall be followed with respect to the accused Member before a decision to impose discipline is reached (to wit, the accused Member shall be given fifteen (15) days prior notice sent by first class or registered mail, and the notice shall specify the reasons for the proposed penalty or suspension and shall provide an opportunity for the Member to be heard, orally or in writing, not less than five (5) days before such penalty or suspension is imposed by the Board of Directors); and

(e) Suspend a Member's voting rights and right to

use the recreational facilities for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations; provided, however, the due process requirements set forth in Section 7341 of the California Corporations Code shall be followed with respect to the accused Member before a decision to impose discipline is reached.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) Perform any and all duties imposed on the members of the Board, individually or collectively, by law, by the Declaration of Restrictions, by the Articles of Incorporation, or by these By-Laws;

(b) Appoint and remove, employ and discharge, and except as otherwise provided in these By-Laws, prescribe the duties and fix the compensation, if any, of all agents and employees of the Association;

(c) Supervise all officers, agents and employees of the Association to assure that their duties are properly performed;

(d) Meet at such times and places as required by these By-Laws;

(e) Cause to be kept a complete record of its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the

use the recreational facilities for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations; provided, however, the due process requirements set forth in Section 7341 of the California Corporations Code shall be followed with respect to the accused Member before a decision to impose discipline is reached.

(f) Adopt and publish rules and regulations governing parking and the use of garages, and to establish, assess and collect monetary penalties for the infraction thereof after the due process requirements of Corporations Code Section 7341 and as described in sub-section (d) of this Section.

(a) Perform any and all duties imposed on the members of the Board, individually or collectively, by law, by the Declaration of Restrictions, by the Articles of Incorporation, or by these By-Laws;

(b) Appoint and remove, employ and discharge, and except as otherwise provided in these By-Laws, prescribe the duties and fix the compensation, if any, of all agents and employees of the Association;

(c) Supervise all officers, agents and employees of the Association to assure that their duties are properly performed;

(d) Meet at such times and places as required by these By-Laws;

(e) Cause to be kept a complete record of its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the

Class A Members who are entitled to vote;

(f) As more fully provided in the Declaration of Restrictions:

(1) Determine the amount of the Annual Assessment against each Unit at least thirty (30) days in advance of each Annual Assessment period;

(2) Send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each Annual Assessment period; and

(3) Declare any assessment not paid within ten (10) days after the due date thereof to be delinquent and pursue collection of said assessment pursuant to the remedies for nonpayment of assessments as set forth in the Declaration of Restrictions.

(g) Cause financial statements for the Association to be regularly prepared and copies distributed to each Member of the Association as follows:

(1) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than sixty (60) days before the beginning of the fiscal year;

(2) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first year of a Condominium and an operating

statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received, and receivable, identified by the number of the Condominium, and the name of the person or entity assessed;

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

(A) A balance sheet as of the last day of the Association's fiscal year;

(B) An operating (income) statement for the fiscal year;

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

(D) Any information required to be reported pursuant to Section 8322 of the California Corporations Code.

An external audit by an independent accountant shall be required for fiscal year financial statements (other than budgets) for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). If the report referred to in subparagraph (3) above is not prepared by an

independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration and Qualifications of Officers.

The officers of this Association shall be a President, Vice-President, Secretary and a Treasurer. Said officers shall consist only of Members in good standing of the Association. Any Member serving as a Director of the Association may also simultaneously serve as an officer thereof.

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

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

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

Section 5. Resignation and Removal. Any officer may be removed from office at any time with or without cause by a

majority of the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at such later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. Duties of the officers are as follows:

(a) President: The President shall preside at all meetings of the Members of the Association; shall see that orders and resolutions of the Board of Directors are carried out; shall co-sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and promissory notes; provided, however, that the authority to co-sign all checks is assignable to a manager for the Project.

(b) Vice-President: The Vice-President shall act

in the place and stead of the President in the event of the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; shall co-sign all contracts, leases or other instruments executed in the name of or on behalf of the Association; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association, provided, however, that the authority to co-sign all checks is assignable to a manager for the Project; keep proper books of account; cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year as provided for in the by-laws and restrictions, and shall prepare an annual budget and a statement of income and expenditures to be presented to the member-

ship at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE X

COVENANT FOR ASSESSMENTS

FOR THE ASSOCIATION

Section 1. Creation of the Lien and Personal Obligation of Assessments. As more particularly set forth in the Article entitled "Assessments" in the Declaration, the Declarant, for each Condominium owned by it, and all other Owners of Condominiums, are obligated to pay to the Association the following assessments which may be levied by the Association against their respective Condominiums: (1) regular Annual Assessments; (2) Special Assessments for capital improvements; and (3) such other assessments as the Association may periodically establish. The Annual and Special Assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the Condominium against which it is assessed and shall be a continuing lien against same. Further, the assessment for each Condominium, together with all costs of collection in the event of delinquency, shall be the personal obligation of the Owner of said Condominium at the time said assessment fell due. All delinquent assessments shall be collected by the Association in accordance with the provisions set forth in the Article entitled "Effect of the Non-Payment of Assessments: Remedies of the Association" in the Declaration. The personal obligation of any Owner, however, shall not pass to his successors in title unless

expressly assumed by them.

Section 2. Purpose and Basis of Assessments. All assessments levied by the Association shall be used exclusively to maintain the Common Area and to promote the recreation, health, safety and welfare of the Members. The Association, by and through its Board of Directors, shall levy and collect assessments from each Condominium so that the aggregate collected is sufficient to cover all Common Expenses incurred by the Association in connection with the performance and execution of its powers and duties as enumerated in the Declaration of Restrictions, By-Laws and Articles of Incorporation. All Condominiums shall share in the Common Expenses incurred by the Association as set forth in the Declaration of Restrictions recorded on the Property. Until January 1 of the year immediately following the conveyance of the first Condominium in the Project to an Owner, the maximum monthly assessment shall be as shown on the Association budget. Thereafter, the maximum Annual Assessment may be increased as set forth in the Declaration.

Section 3. Date of Commencement of Annual Assessments: Due Dates. The Annual Assessments for all Condominiums, including, but not limited to, the Condominiums owned by the Declarant, shall commence on the first day of the month following the close of the first sale to a bona fide purchaser of a Condominium in the Project. The Board of Directors shall fix the amount of the Annual Assessment against each Condominium at least thirty (30) days in advance of each annual assessment period, and send written notice of the Annual Assessment to every Owner subject

thereto at least thirty (30) days in advance of each assessment period. The due dates for all assessments levied by the Association shall be established by the Board of Directors.

Section 4. Waiver Prohibited. No Owner may waive or otherwise avoid liability for any assessments for any reason whatsoever including, but not limited to, non-use of the Common Area or any portion thereof, or abandonment of his Condominium.

ARTICLE XI

COMMITTEES

Section 1. The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

ARTICLE XII

INSPECTION OF BOOKS AND PAPERS

Section 1. The membership register, books of account and minutes of meetings of the Members, of the Board of Directors and of any and all committees, shall be made available for inspection and copying by any Member of the Association, or by his duly-appointed representative at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

Section 2. The Board shall establish reasonable rules

with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 3. 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 extracts and copies of documents.

ARTICLE XIII

AMENDMENTS

Section 1. So long as the two-class voting structure provided for herein shall remain in effect, these By-Laws may be amended only by the vote or written assent of fifty-one percent (51%) of the voting power of each class of Members. At such time as the Class B membership shall cease and be converted to Class A membership, amendments to these By-Laws shall be enacted by requiring the vote or written assent of:

- (a) Fifty-one percent (51%) of the total voting power of the Association; and
- (b) Fifty-one percent (51%) of the votes of members other than the Declarant.

Notwithstanding the foregoing, the percentage of a quorum of the Members or of the votes of Members other than the Declarant necessary to amend a specific provision in these By-Laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under said provision.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control, and in the case of any conflict between the Declaration of Restrictions and these By-Laws, the Declaration shall control.

ARTICLE XIV

CORPORATE SEAL

Section 1. The Association shall have a seal in circular form having within its circumference the words: MILLSTREAM HOMEOWNERS ASSOCIATION.

ARTICLE XV

MISCELLANEOUS

Section 1. The fiscal year of the Administration shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. Except as otherwise provided by law, checks and promissory notes, drafts, orders for the payment of money and other evidences of indebtedness of the corporation shall be signed by the Treasurer and countersigned by the President. Any

contract, lease or other instrument executed in the name of and on behalf of the corporation shall be signed by the Secretary and countersigned by the President.

"DECLARANT"

MILLSTREAM CONDOMINIUMS, a
California limited partnership

BY: _____

Its: _____

BY: _____

Its: _____