

BYLAWS
OF
THE MORENO VALLEY RANCH COMMUNITY ASSOCIATION

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COMMUNITY BYLAWS
FOR THE
MORENO VALLEY RANCH COMMUNITY ASSOCIATION

ARTICLE I
DEFINITIONS

All terms as used in these Community Bylaws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions recorded on the 28th day of July, 1988, as Instrument No. 88-211508 of the Official Records of Riverside County (the "County"), California, (the "Community Declaration"), and any amendments thereto. All of the terms and provisions of said Declaration and any amendments thereto are hereby incorporated herein by this reference.

ARTICLE II
OFFICE

Principal Office: The principal office for the transaction of the business of the Community Association is hereby fixed and located within the Community, or as close thereto as practicable in the County. The Community Board is hereby granted full power and authority to change said principal office from one location to another within the County.

ARTICLE III
MEMBERSHIP IN THE COMMUNITY ASSOCIATION

Section 1 - Membership: Every Owner shall be a member of the Community Association as provided in the Community Declaration. The provisions of these Community Bylaws, which are binding upon all Owners, are not exclusive, as Owners shall also be subject to the terms and provisions of the Community Articles and the Community Declaration.

Section 2 - Voting Classes: The Community Association shall have two (2) classes of voting memberships as set forth in the Community Declaration.

Section 3 - Membership Certificates: In its discretion, the Community Board may, but need not, issue appropriate membership certificates evidencing membership in the Community Association.

Section 4 - Community Assessments: The Owners shall be jointly, severally, and personally liable for the payment of such Community Assessments as may from time to time be fixed and levied by the Community Board pursuant to the provisions of the Community Declaration and these Community Bylaws.

Section 5 - Community Rules; Enforcement: The following provisions shall govern the promulgation of the Community Rules authorized by the Community Declaration which shall include the establishment of a system of fines and penalties:

(a) The Community Board in its discretion shall create such rules and regulations as are consistent with and in furtherance of existing law, the Community Declaration, the Community Articles and these Community Bylaws. Upon the vote or written consent of the Neighborhood Delegates representing at least a majority of the voting power of each class of membership, such rules and regulations shall take effect as the Community Rules.

(b) The Community Board in its discretion may recommend to the Community Association a list of specific fines and penalties for the violation by any Owner of the provisions of the Community Declaration, the Community Articles, these Community Bylaws and the Community Rules, which fines and penalties shall be binding on all Owners and shall be enforceable by the Community Board as an Enforcement Community Assessment. Such a remedy shall not be deemed to be exclusive and the Community Board shall have such other remedies as are provided for by applicable law, the Community Declaration, the Community Articles, these Community Bylaws and the Community Rules.

(c) Any Community Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:

(i) A written statement of the alleged violations shall be provided to any Owner against whom such charges are made, and such written statement shall provide a date on which the charges shall be heard;

(ii) No proceedings shall be brought against any Owner unless such Owner shall have received a written statement of charges at least thirty (30) days prior to that hearing;

(iii) No proceeding shall be brought against any Owner more than sixty (60) days after such Owner is provided a written statement of charges;

Deleted (iv) The Community Board shall appoint a panel with a minimum of three (3) capable persons (one of whom shall be

designated a chairman) who may or may not be Owners, and who shall hear the charges and evaluate the evidence of the alleged violation;

(v) At such hearing, the Owner so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;

(vi) The panel shall deliver to the Owner so charged within seven (7) days after the hearing a written decision which specified the fines or penalties levied, if any, and the reasons therefor.

(d) In the event that an Owner shall correct an alleged violation prior to the hearing date, the Community Board shall discontinue the proceedings.

ARTICLE IV

MEETINGS OF COMMUNITY THE ASSOCIATION

Section 1 - Place of Meeting: All Community Association meetings shall be held within the Community or as close thereto as practicable, as may be fixed from time to time by resolution of the Community Board.

Section 2 - First Annual Meeting and Subsequent Annual Meetings: The first annual Community Association meeting shall be held within forty-five (45) days after fifty-one percent (51%) of the Lots and Units within the Community have been sold, but in no event shall such meeting be held later than six (6) months after conveyance of the first such Lot or Unit. All Community Directors shall be elected at the first annual meeting of the Community Association. Each subsequent regular annual Community Association meeting shall be held on the same day of each year thereafter, at the hour set by the Community Board, provided, however, that the Community Board by resolution may fix a date for the meeting no more than thirty (30) days before or after said date. If the day for the annual meeting is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. Regular meetings of Community Association shall be held not less frequently than once each calendar year and shall be at the time and place set forth in Sections 1 and 2 of this Article.

Section 3 - Special Meetings: Special meetings of the Community Association for any purpose may be called by the Community Board at any time upon the vote therefore by the Community Board or upon the written request of the Neighborhood Delegates representing not less than five percent (5%) of the total voting power of the Community Association.

Section 4 - Notices of Meetings: Written notices of meetings, annual or special, shall be posted in a prominent place within the Community and shall be given by the Community Board to each Neighborhood Delegate, either personally or by sending a copy of the notice through the mail, postage prepaid, to his address appearing on the books of the Community Association, or supplied by him to the Community Association for the purpose of such notice. All such notices shall be sent to each Neighborhood Delegate not less than ten (10) days nor more than ninety (90) days before such meetings, and shall specify the place, the day and the hour of such meetings, and in case of special meetings, the general nature of the business to be transacted.

When any meeting of the Community Association, 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 an adjourned meeting, other than by announcement thereof at the meeting at which such adjournment is taken. 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 the Neighborhood Delegates in the manner prescribed above.

Section 5 - Consent of Absentees: The transaction of any business at any meeting of the Community Association, either annual or special, however, called and noticed, shall be as valid as though undertaken at meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the Neighborhood Delegates entitled to vote but not present at such meeting signs a written waiver of notice, or a consent to the holding of such meeting, or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Community Association or made a part of the minutes of the meeting.

Section 6 - Quorum: The presence at a meeting of the Neighborhood Delegates or proxies equal to fifty percent (50%) of the voting power of the Community Association shall constitute a quorum for any action except as otherwise provided in the Community Declaration or these Community Bylaws. If any meeting cannot be held because a quorum is not present, the Neighborhood Delegates present may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. The presence upon reconvening the adjourned meeting of the Neighborhood Delegates representing at least twenty-five percent (25%) of the voting power of the Community Association shall constitute a quorum for purposes of such meeting. Except where a greater portion of the voting power is required by the Community Declaration or these Community

Bylaws, a majority of the voting power present shall prevail at all meetings.

Section 7 - Action Without Meeting: Any action which, under any provision of these Community Bylaws or the Nonprofit Mutual Benefit Corporation Law of the State of California, may be taken at a meeting, may be taken without a meeting, if done in compliance with the provisions of Section 7513 of the California Corporations Code.

Section 8 - Order of Business: The order of business at all meetings of the Community Association shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of elections (at annual meetings or special meetings held for such purpose); (g) election of Community Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

ARTICLE V

COMMUNITY DIRECTORS

Section 1 - Powers: In addition to the powers and duties of the Community Board as set forth in the Community Declaration and the Community Articles, and subject to the limitations of the Community Articles, the Community Declaration, or these Community Bylaws, and of the California Corporations Code as to action to be authorized or approved by the Neighborhood Delegates and subject to the duties of the Community Directors as prescribed by these Community Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Community Association shall be controlled by, the Community Board. Without prejudice to such general powers but subject to the same limitations, the Community Board is vested with and shall have the following powers; to wit:

(a) To select, appoint, and remove all officers, agents and employees of the Community Association, to prescribe such powers and duties for them as may be consistent with law, with the Community Articles, the Community Declaration and/or these Community Bylaws, to fix their compensation and to require from them security for faithful service when deemed advisable by the Community Board.

(b) To conduct, manage and control the affairs and business of the Community Association, and to enforce such rules and regulations therefore consistent with law, with the Community

Articles, the Community Declaration and/or these Community Bylaws, as the Community Board may deem necessary or advisable.

(c) To fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes of this Community Association to which the assets of this Community Association shall be distributed upon liquidation or dissolution according to the Community Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Community Association and after distribution of all property held or acquired by the Community Association under the terms of a specific trust or trusts.

(d) To adopt and use a corporate seal.

Section 2 - Number of Community Directors: The Community Board shall consist of the number of Community Directors named in the Community Declaration until changed by amendment thereto changing such number.

Section 3 - Election and Term of Office: Until (i) the holding of the first meeting of the Community Association or (ii) the earlier resignation from the Community Board, the Community Board shall consist of those Community Directors appointed by the incorporator named in the Community Articles. Community Directors shall be elected by secret written ballot at each annual meeting of the Community Association, but if any such annual meeting is not held, or if the Community Directors are not elected thereat, the Community Directors may be elected at any special meeting of the Community Association held for that purpose. Each Community Director shall hold office until the earlier to occur of (i) the election of his respective successor or (ii) his death, resignation or removal. Commencing with the first annual meeting of the Community Association, the four (4) Community Directors receiving the highest number of votes shall each be elected for a term of office of three (3) years and the three (3) Community Directors receiving the next highest number of votes shall each be elected for a term of office of two (2) years. At each annual meeting thereafter, new Community Directors shall be elected to fill vacancies created by resignations or expirations of the terms of office of the past Community Directors. Following the first annual meeting, the term of office for each Community Director elected to fill a vacancy created by the expiration of the term of office of the respective past Community Director shall be for two (2) years. The term of office of each Community Director elected to fill a vacancy created by death, resignation or removal of his predecessor shall be for the balance of the unserved term of his predecessor.

Section 4 - Cumulative Voting; Secret Ballot: No Neighborhood Delegate shall be entitled to cumulate votes for a candidate for the Community Board unless such candidate's name

has been placed in nomination prior to the voting and the Neighborhood Delegate has given notice at the meeting prior to the voting of his intention to cumulate votes. If any Neighborhood Delegate has given such notice, all Neighborhood Delegates may cumulate their votes for candidates in nomination. If votes are to be cumulated as herein provided, each Neighborhood Delegate entitled to vote shall have the right to so cumulate his votes and give one (1) candidate a number of votes equal to the number of Community Directors to be elected, multiplied by the number of votes which the Neighborhood Delegate is entitled to cast in such election, or to distribute such votes on the same principle among as many candidates as the Neighborhood Delegate may be allowed to do pursuant to the Community Declaration. The candidates receiving the highest number of votes up to the number of Community Directors to be elected shall be elected. The election of Community Directors shall be conducted by secret written ballot.

Section 5 - Special Voting Rights. From the first election of the Community Directors and thereafter for so long as a majority of the voting power of the Community Association resides in the Declarant and/or Merchant Builders, or for so long as there are two outstanding classes of membership in the Community Association, not less than the greater of (i) one (1) or (ii) twenty percent (20%) of the Community Directors shall be elected solely by the votes cast by the Neighborhood Delegates on behalf of Owners other than the Declarant and/or Merchant Builders. Notwithstanding the provisions of the Section of this Article entitled, "Removal of Community Directors", any Community Director so elected may not be removed without the vote of a majority of the voting power of the Community Association other than the Declarant and/or Merchant Builders.

Section 6 - Election Committee. An election committee shall be appointed annually by the Community Board to make rules for and supervise nominations, voting procedures voting requirements and the orderly and fair election of Community Directors. The election committee shall consist of a chairman, who shall be a Community Director, and two (2) or more persons who shall be Neighborhood Delegates; provided, however, so long as the Declarant has three (3) votes per Lot and/or Unit, the Community Board may appoint persons who are not Neighborhood Delegates to the election committee.

Section 7 - Removal of Community Directors: At any special meeting of which notice has been properly given as provided in these Community Bylaws, the entire Community Board or any individual Community Director may be removed from office as hereinafter set forth, provided that the same notice of said special meeting has also been given to said entire Community Board or any individual Community Director whose removal is to be considered at said special meeting. The entire Community Board or any individual Community Director may be removed from office by a majority of the affirmative votes cast in the voting on any

motion or resolution for removal. However, unless the entire Community Board is removed, an individual Community Director shall not be removed if the number of votes cast against the motion or resolution for his removal would be sufficient to elect the individual Community Director if voted cumulatively at an election at which the same total number of votes were cast and all Community Directors were then being elected. Upon any such motion or resolution for removal, every Neighborhood Delegate may cumulate his vote or votes, as the case may be, in the same manner as provided for the election of Community Directors in these Community Bylaws. In the event that any or all Community Directors are so removed, new Community Directors may be elected at the same meeting.

Section 8 - Vacancies: A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Community Director. If the number of Community Directors shall be increased but the Neighborhood Delegates fail to elect the additional Community Directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or fail at any time to elect the full number of the authorized Community Directors, a vacancy or vacancies shall be deemed to exist.

Vacancies on the Community Board other than vacancies created by the removal of a Community Director may be filled by a vote of a majority of the remaining Community Directors, though less than a quorum and each Community Director so elected shall hold office until his successor is elected at an annual meeting of the Community Association or at a special meeting called for that purpose. The Neighborhood Delegates (i) shall elect Community Directors to fill any vacancy created by the removal of a Community Director and (ii) may at any time elect Community Directors to fill any other vacancy not filled by the Community Directors or elect the additional Community Directors at the meeting at which an amendment of the Community Bylaws is voted authorizing an increase in the number of Community Directors.

If any Community Director tenders his resignation to the Community Board, the Community Board shall have power to elect a successor to take office at such time as the resignation shall become effective.

No reduction of the number of Community Directors shall have the effect of removing any Community Director prior to the expiration of his term of office.

Section 9 - Place of Meeting: All meetings of the Community Board shall be held at the principal office of the Community Association, or any other place or places within the County designated at any time by resolution of the Community Board.

Section 10 - Organization Meeting: Immediately following each annual meeting of the Community Association, the Community

Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 11 - Other Regular Meetings: Other regular meetings of the Community Board may be held without call at such place and day and hour as may be fixed from time to time by resolution of the Community Board provided, should said day fall upon a legal holiday, then the meeting which otherwise would be held on said day shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such regular meetings of the Community Board shall be communicated to each Community Director at least four (4) days prior to such meeting. Regular meetings of the Community Board may be held monthly or more frequently; provided however, in no event shall the regular meetings of the Community Board be held less than once every three (3) months. Notice of the time and place of regular meetings shall be posted in a prominent place within the Community.

Section 12 - Special Meetings; Notices: Special meetings of the Community Board for any purpose may be called at any time by the Chairman or by the President, or if they are unable or refuse to act, by the Vice-President or by any two (2) Community Directors.

Written notice of the time, place and nature of the business to be conducted at any such special meetings shall be posted in the manner described for regular meetings and shall be delivered personally to the Community Directors or sent to each Community Director by letter or by telegram, postage or charges prepaid, addressed to him at his address as it is shown upon the records of the Community Association not less than seventy-two (72) hours prior to the scheduled time of the meeting. In case such notice is mailed or delivered to the telegraph company at or near the place in which the principal office of the Community Association is located at least forty-eight (48) hours prior to the time of the holding of the meeting, such mailing, telegraphing or delivery as provided herein shall be due, legal and personal notice to each such Community Director.

Section 13 - Notice of Adjournment: Notice of adjournment of any Community Board meeting, either regular or special, need not be given to absent Community Directors, if the time and place are fixed at the meeting adjourned.

Section 14 - Waiver of Notice: The transaction of any business at any meeting of the Community Board, however called and noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Community Directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall

be filed with the records of the Community Association or made a part of the minutes of the meeting.

Section 15 - Quorum: A majority of the number of Community Directors as fixed by the Community Declaration shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the Community Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Community Board.

Section 16 - Adjournment: A quorum of the Community Directors may adjourn any Community Board meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Community Directors present at any Community Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Community Board.

Section 17 - Consent of Community Directors Obviating Necessity of Meeting: Notwithstanding anything to the contrary contained in these Community Bylaws, any action required or permitted to be taken by the Community Board may be taken without a meeting if all Community Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Community Board, and shall be posted in a prominent place within the Community not later than three (3) days after obtaining all necessary signatures. Such action by written consent shall have the same force and effect as a unanimous vote of such Community Directors.

Section 18 - Fees and Compensations: No Community Director or officer shall receive any salary for his services performed as such in the conduct of the Community Association's business.

Section 19 - Presiding Officers: The Community Directors shall elect one (1) of their number to act as Chairman and one (1) of their number to act as Secretary. The Chairman shall preside at, and Secretary shall record the minutes of, all meetings of the Community Board and of the Community Association.

Section 20 - Indemnification of Community Directors, Officers and Employees: Except to the extent prohibited by then applicable law, the Community Association shall reimburse, indemnify and hold harmless each present and future Community Director, officer and employee of the Community Association from and against all loss, cost, liability, and expense which may be imposed upon or reasonably incurred by him, including reasonable settlement payments in connection with any claim, action, suit or proceeding, or threat thereof, made or instituted, in which he may be involved or be made a party by reason of his being or having been a Community Director, officer or employee of the Community Association, or by reason of any action alleged to have

been taken or omitted by him in such capacity, if a disinterested majority of the Community Board (or, if a majority of the Community Board is not disinterested, then independent legal counsel) determines in good faith that such person was acting in good faith (a) within what he reasonably believed to be the scope of his authority or employment, and (b) for a purpose which he reasonably believed to be in the best interests of the Community Association. Such determination shall be made within thirty (30) days after the date on which a written claim is submitted by such Community Director, officer, or employee to the Community Board for any such loss, cost, liability or expense.

The right of indemnification provided for herein shall inure to each person referred to herein, whether or not the claim asserted against him is based on matters which arose in whole or in part prior to the adoption hereof, and in the event of his death shall extend to his legal representatives. The right of indemnification provided for herein shall not be exclusive of any other rights which any such person, or any other individual, may be entitled as a matter of law or under any agreement, vote of Community Directors or otherwise.

Section 21 - Records. The Community Board shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Neighborhood Delegates at annual meetings of the Community Association or at any special meeting where such statement is requested in writing by one-fourth (1/4th) of the Neighborhood Delegates entitled to vote thereat.

Section 22 - Attendance at Community Board Meetings by Neighborhood Delegates. Regular and special Community Board meetings shall be open to all Neighborhood Delegates; provided, however, no person who is not an officer or Community Director shall participate in any deliberation or discussion unless expressly authorized by a majority of a quorum of the Community Board. The Community Board may, upon the vote of a majority of the Community Board's quorum, adjourn a Community Board meeting and reconvene in executive session exclusive of any and/or all persons who are not Community Directors to discuss and vote upon personnel matters, litigation in which the Community Association is involved and other similar matters, requiring confidentiality. The nature of any and all business to be so considered in executive session shall be announced in open session.

ARTICLE VI

OFFICERS

Section 1 - Officers: The officers shall be a President, a Vice-President, a Secretary and a Chief Financial Officer, which officers shall be elected by and hold office as determined by the

Community Board. Each of the officers may, but need not, be a Community Director. Any two (2) or more of such offices may be held by the same person. All offices may be held by someone who is not a Community Director or an Owner.

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

Section 3 - Subordinate Officers: The Community Board may appoint such other officers as the business of the Community Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Community Bylaws or as the Community Board may from time to time determine.

Section 4 - Removal and Resignation: Any officer may be removed, either with or without cause, by the vote of a majority of all of the Community Directors then in office at any regular or special meeting of the Community Board at which a quorum is present.

Any officer may resign at any time by giving notice to the Community Board or to the President or to the Secretary of the Community Association. Any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified herein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5 - Vacancies: A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Community Bylaws for regular appointments to such office.

Section 6 - President: The President shall be the chief executive officer of the Community Association and shall, subject to the control of the Community Board, have general supervision, direction and control of the business and officers of the Community Association. The President may, but need not be, the Chairman of the Community Board. He shall be an ex-officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have other powers and duties as may be prescribed by the Community Board or these Community Bylaws. The President shall sign all leases, mortgages, deeds and other written instruments and shall co-sign on all reserve accounts and promissory notes of the Community Association.

Section 7 - Vice President: In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the office of President. The Vice-President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Community Board or the Community Bylaws.

Section 8 - Secretary: The Secretary shall keep, or cause to be kept, at the principal office of the Community Association or such other place as the Community Board may order, a book of minutes of all meetings of the Community Association and the Community Board, with the time and place of the holding of the same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at such meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office of the Community Association, a membership register showing the following: (1) the names and addresses of all of the Community Directors and Neighborhood Delegates, (2) the names of the members of the Community Association and their addresses, (3) the property to which each Community Association membership relates, (4) the number of votes represented by each Neighborhood Delegate, (5) the number and date of membership certificates issued, if any, and (7) the number and date of cancellation of membership certificates, if any.

The Secretary shall give, or cause to be given, notice of all meetings of the Community Association, the Community Board and/or the Neighborhoods which do not have a Neighborhood Association as are required by the Community Declaration, Community Bylaws or by law to be given, and shall keep the seal of the Community Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Community Board or by these Community Bylaws.

Section 9 - Chief Financial Officer: The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Community Association. The books of account shall at all reasonable times be open to inspection by any Community Director or by any member.

The Chief Financial Officer shall deposit or cause to be deposited all monies and other valuables in the name and to the credit of the Community Association with such depositories as may be designated by the Community Board. He shall disburse the funds of the Community Association as may be ordered by the Community Board, shall render to the President and Community Directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Community Association, and shall have such other powers and perform such other duties as may be prescribed by the

Community Board or these Community Bylaws. The Chief Financial Officer shall sign on all reserve accounts and promissory notes of the Community Association.

ARTICLE VII

MISCELLANEOUS

Section 1 - Inspection of Community Association Records: The membership register, the books of account and minutes of meetings of the Community Association, Community Board and committees shall be open to the inspection by each member of the Community Association or his duly appointed representative at reasonable times from time to time and in the manner provided in the Corporations Code of the State of California relating thereto. The Community Board shall establish reasonable rules with respect to the place of inspection, notice to be given to the custodian of such records by the person desiring to so inspect, the time when such inspection can be made and the payment of reproduction costs of documents so requested by the member. Every Community Director shall have the absolute right at any reasonable time to inspect such records and properties owned or controlled by the Community Association. Such right includes the right to make extracts and copies of documents.

Section 2 - Checks and Drafts: All checks, drafts or other orders for payment of money drawn on the Community Association's operating accounts, notes or other evidences of indebtedness, issued in the name of or payable to the Community Association, shall be authorized by the President and Chief Financial Officer and signed in such a manner as, from time to time, shall be determined by resolution of the Community Board; provided, however the signatures of at least two (2) Community Directors, or the signatures of an officer who is not a Community Director and at least one (1) Community Director, shall be required for the withdrawal of moneys from the Community Association's "reserve accounts" (as that term is defined in Section 6 below).

Section 3 - Contracts, How Executed: The Community Board, except as in these Community Bylaws is otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Community Association, and such authority may be general or confined to specific instances; and unless so authorized by the Community Board, no officer, agent or employee shall have any power or authority to bind the Community Association by any contract or engagement or to pledge its credit or render it liable for any purpose or for any amount.

Section 4 - Statements and Reports: The Community Board shall cause the financial statements and information set forth

below to be sent to each member within the respective time limits as follows:

(a) A budget for each fiscal year consisting of at least the following information shall be distributed not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of the fiscal year:

(1) Estimated revenues and expenses on an accrual basis.

(2) The amount of the total cash reserves of the Community Association currently available for replacement or major repair of common facilities and for contingencies.

(3) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to, major components of the Community Common Area and common facilities for which the Community Association is responsible.

(4) A general statement setting forth the procedures used by the Community Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Community Common Area and common facilities for which the Community Association is responsible.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot or a Unit in the Community 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 Lot or the Unit and the name of the Owner assessed.

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

(1) A balance sheet as of the end of the fiscal year.

(2) An operating (income) statement for the fiscal year.

(3) A statement of changes in financial position for the fiscal year.

(4) For any fiscal year in which the gross income to the Community Association exceeds Seventy-Five Thousand Dollars (\$75,000), a copy of the review of the annual report

prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(d) If the report to in (c) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Community Association that the statement was prepared from the books and records of the Community Association without independent audit or review.

(e) In addition to financial statements, the Community Board shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Community Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of Community Assessments including the recording and foreclosing of liens against Lots and/or Units.

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

Section 6 - Operating and Reserve Accounts: The Community Board shall do all of the following:

(a) Review a current reconciliation of the Community Association's operating accounts on at least a quarterly basis;

(b) Review a current reconciliation of the Community Association's reserve accounts on at least a quarterly basis;

(c) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;

(d) Review the latest account statements prepared by the financial institutions where the Community Association has it operating and reserve accounts; and

(e) Review an income and expense statement for the Community Association's operating and reserve accounts on at least a quarterly basis.

The term "reserve accounts" means moneys that the Community Board has identified from the Community Association's annual budget for use to defray the future repair or replacement of, or additions to, those major components of the Community Common Area which the Community Association is obligated to maintain.

Section 7 - Inspection of Community Bylaws: The Community Association shall keep in its principal office for the transaction of business the original or a copy of the Community Bylaws as amended, certified by the Secretary, which shall be open to inspection by all of the members of the Community Association at all reasonable times.

Section 8 - Singular Includes Plural: Whenever the context of these Community Bylaws requires the same, the singular shall include the plural and the masculine shall include the feminine.

Section 9 - Conflicts: In the case of any conflict between the Community Articles and these Community Bylaws, the Community Articles shall control; in the case of conflict between the Community Declaration and these Community Bylaws, the Community Declaration shall control.

ARTICLE VIII

AMENDMENTS

Section 1 - Required Votes: These Community Bylaws may be adopted, amended, or repealed by (i) the vote or written assent of the Neighborhood Delegates entitled to exercise a majority of the voting power of the Community Association (excluding Declarant and Merchant Builders) or (ii) the vote of a majority of a quorum at a meeting of the Community Association duly called for such purpose; provided, that the proposed amendment has been submitted to each Neighborhood Delegate together with the advance notice of said meeting. Notwithstanding the above, as long as Declarant has three (3) votes per Lot and/or Unit, the Community Bylaws may be amended or repealed only by the vote or written assent of Declarant and of the Neighborhood Delegates entitled to exercise a majority of the voting power of the Community Association (excluding the votes of Declarant and/or any Merchant Builders). In addition thereto, these Community Bylaws may be amended by Declarant at any time prior to the conveyance by Declarant and/or a Merchant Builder of title to a Lot or Unit to any Owner other than a Merchant Builder.

Section 2 - Record of Amendments: Whenever an amendment of or a new Bylaw is adopted it shall be placed in the minute book of Community Association in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

Section 3 - FHA/VA Approval. So long as Declarant has three (3) votes per Lot and/or Unit, any amendment to these Community Bylaws shall require the prior approval of the Veterans Administration (the "VA") and the Federal Housing Authority (the "FHA"). A draft of any such amendment should be submitted to the VA and the FHA for approval prior to approval of the amendment by the Community Association.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

(1) I am the duly elected and acting Secretary of the Community Association; and

(2) That the foregoing Community Bylaws constitute the original Community Bylaws of the Community Association as duly adopted at the first meeting of the Community Board.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Community Association this 26th day of January. 1989.

Sally A. Stroud
Secretary

[SEAL]

AMENDMENT 5 TO THE BYLAWS FOR MORENO VALLEY RANCH COMMUNITY ASSOCIATION

This Amendment to the By-Laws of Moreno Valley Ranch Community Association ("Bylaws") is made by the Moreno Valley Ranch Community Association, a California nonprofit mutual benefit corporation ("Association").

RECITALS

WHEREAS, Article VIII, Section 1, of the Bylaws provides that the provisions of the Bylaws may be amended by the approval of delegates entitled to exercise a majority of the voting power of the Association; and

WHEREAS, delegates representing at least a majority of the voting power of the Association cast their votes approving the below described amendments to the Bylaws.

NOW, THEREFORE, the Association hereby amends the Bylaws as follows:

1. The first sentence of Article V, Section 6, of the Bylaws is amended to read as follows:

An election committee may be appointed annually by the Community Board to make rules for and supervise nominations, voting procedures, voting requirements and the orderly and fair election of Community Directors.

2. The third sentence of Article IV, Section 6 of the Bylaws is deleted and the first sentence of Article IV, Section 6 of the Bylaws is amended to read as follows:

The presence at a meeting of the Neighborhood Delegates or proxies equal to twenty-five (25%) of the voting power of the Community Association shall constitute a quorum for any action except as otherwise provided in the Community Declaration or the Community Bylaws.

3. The second sentence of Article III, Section 5(a) of the Bylaws is deleted.

EXCEPT as amended by this Amendment, the Bylaws, as modified by all prior amendments and supplements thereto, are hereby ratified and confirmed by the Association and remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Association has hereunto set its hand and seal this ____ day of _____, 2003.

MORENO VALLEY RANCH COMMUNITY ASSOCIATION

By: *E. J. McClain*
Its President

CERTIFICATE OF SECRETARY

The undersigned, the duly acting or appointed Secretary of the above corporation, certifies that the foregoing Amendments to the Bylaws were duly and properly adopted by approval of delegates representing the requisite percentage of the voting power in balloting concluded _____, 2003.

Dated: 11-19-2003

[Signature]
Secretary, Moreno Valley Ranch Community Association

**AMENDMENT TO THE BYLAWS OF
THE MORENO VALLEY RANCH COMMUNITY
ASSOCIATION**

This Amendment to the Bylaws of The Moreno Valley Ranch Community Association ("Bylaws") is made by The Moreno Valley Ranch Community Association, a California nonprofit mutual benefit corporation ("Association").

RECITALS

Article VIII, Section 1, of the Bylaws provides that the provisions of the Bylaws may be amended by the approval of delegates entitled to exercise a majority of the voting power of the Association; and

On December 17, 2012, delegates representing at least a majority of the voting power of the Association cast their votes approving the below described amendment to the Bylaws.

NOW, THEREFORE, the Association hereby amends the Bylaws as follows:

Article V, Section 2, of the Bylaws is amended as follows (amended language is italicized.)

Section 2 – Number of Community Directors/Eligibility and Qualification of Directors: The Community Board shall consist of the number of Community Directors named in the Community Declaration until changed by amendment thereto changing such numbers

Candidates for election to the Community Board must be members of the Association in good standing. Good standing shall mean such member is current in the payment of all assessment obligations and not in violation of any other requirement under the Association's governing documents. To be considered qualified to serve on the Community Board, a Community Director must be in good standing and may not miss more than two (2) consecutive) meetings of the Board.

**AMENDMENT TO THE BYLAWS OF
THE MORENO VALLEY RANCH COMMUNITY
ASSOCIATION**

EXCEPT as amended by this Amendment, the Bylaws, as modified by all prior amendments and supplements thereto, are hereby ratified and confirmed by the Association and remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Association has hereunto set its hand and seal this ____ day of 1/16/2013, 2013.

MORENO VALLEY RANCH COMMUNITY
ASSOCIATION

By: *Agnes How* President
Its President

CERTIFICATE OF SECRETARY

The undersigned, the duly acting or appointed Secretary of the above corporation, certifies that the foregoing Amendments to the Bylaws were duly and properly adopted by approval of delegates representing the requisite percentage of the voting power in balloting concluded December 17, 2012.

Dated: 1/16/2013

Aja White Secretary
Secretary, Moreno Valley Ranch Community Association

AMENDMENT TO THE BYLAWS OF THE MORENO VALLEY RANCH COMMUNITY ASSOCIATION

This Amendment to the Bylaws of The Moreno Valley Ranch Community Association ("Bylaws") is made by The Moreno Valley Ranch Community Association, a California nonprofit mutual benefit corporation ("Association").

RECITALS

Article VIII, Section I, of the Bylaws provides the provisions of the Bylaws may be amended by the approval of delegates entitled to exercise a majority of the voting power of the Association; and

On December 16, 2015, delegates representing at least a majority of the voting power of the Association cast votes approving the below described amendments to the Bylaws.

NOW, THEREFORE, the Association hereby confirms the Bylaws were amended as follows:

Article V, Section 3 of the Bylaws is amended as follows (added language is italicized, deleted language is struck through.)

Section 3 – Election and Term of Office: ~~Until (i) the holding of the first meeting of the Community Association or (ii) the earlier resignation from the Community Board, the Community Board shall consist of those Community Directors appointed by the incorporator named in the Community Articles.~~ Community Directors shall be elected by ~~secret~~ *written* ballot at each annual meetings of the Community Association, but if any such annual meeting is not held, or if the Community Directors are not elected thereat, the Community Directors may be elected at any special meeting of the Community Association held for that purpose. Each Community Director shall hold office until the earlier to occur of (i) the election of his respective successor or (ii) his death, resignation or removal. Commencing with the first annual meeting of the Community Association, the four (4) Community Directors receiving the highest number of votes shall each be elected for a term of office of three (3) years and the three (3) Community Directors receiving the next highest number of votes shall each be elected for a term of office of two (2) years. At each annual meeting thereafter, new Community Directors shall be elected to fill vacancies created by resignations or expirations of the terms of office of the past Community Directors. ~~Following the first annual meeting~~ *Beginning in 2016*, the term of office for each Community Director elected to fill a vacancy created by the expiration of the term of office of the respective past Community Director shall be for ~~two (2)~~ *three (3)* years. The term of office of each Community Director elected to fill a vacancy created by death, resignation or removal of his predecessor shall be for the balance of the unserved term of his predecessor.

AMENDMENT TO THE BYLAWS OF
THE MORENO VALLEY RANCH COMMUNITY
ASSOCIATION

The last sentence of Article IV, Section 2 of the By-laws is amended as follows (added language is italicized, deleted language is struck through.)

Section 2 – Election and Term of Office: Regular meetings of the Community Association shall be held ~~not less frequently than once each calendar year in~~ *which a Community Director is up for election or other business is before the Community Association* and shall be at the time and place set forth in Sections 1 and 2 of this Article.

The Bylaws, as amended by this Amendment and any prior amendments and supplements, are hereby ratified and confirmed by the Association and remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Association has hereunto set its hand and seal this 25th day of JANUARY 2016.

THE MORENO VALLEY RANCH COMMUNITY
ASSOCIATION

By: _____
President

CERTIFICATE OF SECRETARY

The undersigned, the duly acting or appointed Secretary of the above corporation, certifies that the foregoing Amendments to the Bylaws were duly and properly adopted by approval of delegates representing the requisite percentage of the voting power in balloting concluded _____.

Dated: 1-25-2016

Sarah M. [Signature]
Secretary, The Moreno Valley Ranch Community Association