

BYLAWS OF

ARROYO PARK TOWNHOME ASSOCIATION

ARTICLE I. NAME

The name of the corporation is Arroyo Park Townhome Association, hereinafter referred to as the "Association."

ARTICLE II. DEFINITIONS

Section 2.01. "Association" shall mean and refer to Arroyo Park Townhome Association, its successors and assigns.

Section 2.02. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions, and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 2.30. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 2.04. "Residence," "Lot," and "Unit" shall mean and refer to any of the townhomes constructed upon the properties.

Section 2.05. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is part of the Properties, but excluding those having such interest merely as security for the performance of an obligation.

Section 2.06. "Declarant" shall mean and refer to DLE DEVELOPMENT COMPANY, INC., its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 2.07. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions applicable to the Properties recorded in the Office of the Recorder for the County of Alameda, State of California.

Section 2.08. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

ARTICLE III. MEETINGS OF MEMBERS

Section 3.01. The first annual meeting of the Members of the Association shall be held within forty-five (45) days after the closing of the sale of the Unit that represents the fifty-first (51st) percentile interest authorized by sale under the first final subdivision public report issued for the Project by the California Real Estate Commissioner, or within six (6) months after the closing of the sale of the first Unit within the Project, whichever is earlier. Thereafter, the annual meeting of the Members of the Association shall be held on the second Tuesday of each succeeding calendar year at the hour of 7 p.m. If the day for the annual meeting of the members is a legal holiday, the meeting shall be held at the same hour on the first day following which is not a legal holiday (excluding Saturday and Sunday).

Section 3.02. Special meetings of the Members may be called by the Board of Directors or the President of the Association. In addition, five percent (5%) or more of the Members may call special meetings of the Members for any lawful purpose. Subdivision (c) of Section 7511 of the California Corporations Code shall be applicable to any special meeting of Members sought to be called by any person other than the Board of Directors entitled to call a special meeting of Members.

Section 3.03. Except as provided in subdivision (c) of Section 7511 of the California Corporations Code, written notice of each meeting of the Members shall be given to each Member entitled to vote at the meeting by, or under the direction of, the Secretary of the Association or the authorized person calling the meeting in the manner prescribed in this section. A copy of the notice shall be mailed by first-class mail, postage prepaid, at least fifteen (15) but not more than ninety (90) days before the meeting of each such Member, addressed to the Member's address last appearing on the books of the Association or supplied by the Member to the Association for purpose of notice. The notice shall state the place, date, and time of the meeting, and in the case of a special meeting, the general nature of the business to be transacted at the meeting. In the case of a regular meeting, the notice shall also state those matters which the Board of Directors, at the time the notice is given, intends to present for action by the Members at the meeting. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members.

Section 3.04. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, at least fifty-one percent (51%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these

Bylaws. Meetings shall be held within the Association property or as close thereto as possible.

In the absence of a quorum, a majority of those present in person, or by proxy may adjourn the meeting to another time, but may not transact any other business. The adjournment shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. If a time and place for the adjourned meeting is not fixed at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment of the original meeting, notice of the time and place of the adjourned meeting shall be given to the Members in the manner prescribed in Section 3.03 for regular meetings. The quorum for an adjourned meeting shall be forty percent (40%).

Section 3.05. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his (or her) Lot. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy; in any case, the maximum term of any proxy shall be three (3) years from the date of execution. Every proxy continues in full force and effect until expiration or until revoked by the person executing it. Revocation may be effected by any of the following methods:

- (a) A writing delivered to the Association stating that the proxy is revoked;
- (b) A subsequent proxy executed by the person executing the prior proxy and delivered to a meeting; or
- (c) As to any particular meeting, by attendance at such meeting and voting in person by the person executing the proxy.

ARTICLE IV. BOARD OF DIRECTORS- SELECTION-TERM OF OFFICE

Section 4.01. The affairs of this Association shall be managed by a Board of Directors, consisting of five (5) persons, who need not be Members of the Association, until conversion of Class B memberships to Class A, after which time all Directors must be Members of the Association.

Section 4.02. At the first meeting of the Association, the Members shall elect five (5) Directors, as follows: Three (3) Directors for a term of two (2) years, and two (2) Directors for a term of one (1) year; and at each annual meeting thereafter the Members shall elect either two or three Directors, as the case may be, for a term of two (2) years.

Section 4.03. 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 or her term of office where the votes cast against 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 director's most recent election were being elected. A director who has been elected solely by votes of Members other than the Declarant may be removed from office prior to expiration of his term only by the applicable vote of the Members other than the Declarant. In the event of the death or resignation of a director, the director's successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his or her predecessor. The filling of a vacancy on the Board created by the removal of the director shall require the vote or written assent of a majority of each class of Members.

Section 4.04. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 4.05. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board 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 Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three (3) days after the written consents of all Directors have been obtained.

ARTICLE V. NOMINATION AND ELECTION OF DIRECTORS

Section 5.01. Nomination for election to the Board of Directors shall be made by a Nominating Committee consisting of a Chairman, who shall be a member of the Board of Directors, and two (2) or more other Members of the Association who need not be members of the Board of Directors. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of Members to serve from the close of that annual meeting until the close of the next annual meeting of Members. The names of the persons appointed to the Nominating Committee shall be announced at the annual meeting immediately following their appointment. The Nominating Committee shall, at least thirty (30) days prior to the meeting at which they are to be voted on, report to the Board of Directors the names of as many nominees for election to the Board of Directors as the committee shall deem proper, but not fewer than the number of directors to be

lected at such meeting. Nominations for election to the Board of Directors may also be made by written petition filed with the Secretary of the Association at least thirty (30) days prior to any annual meeting of Members and signed within eleven (11) months preceding that meeting by Members representing, without considering any provision for cumulative voting, twenty percent (20%) of the "voting power" of the Association as the term "voting power" is defined in Section 5078 of the Nonprofit Corporation Law of California. Nominations for election to the Board of Directors may also be made by any Member present in person or by the proxy of any Member present by proxy, at the annual meeting at which the director is to be elected.

Section 5.02. Election to the Board of Directors shall be by secret written ballot. Every Member entitled to vote at any election of directors may cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which such members are otherwise entitled, or distribute his votes on the same principle among as many candidates as he thinks fit. However, a Member is not entitled to cumulate his votes unless the candidate's name has been placed in nomination prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of directors to be elected shall be deemed elected. For so long as a majority of the voting power of the Association resides in the Declarant, or for so long as there are two outstanding classes of membership in the Association, at least twenty percent (20%) of the incumbents on the Board shall be elected solely by the votes of the Owners other than the Declarant.

Section 5.03. Notwithstanding the provisions of Section 5.02 of this Article, at any election in which the Members other than Declarant do not have a sufficient percentage of the voting power of the Association to elect at least twenty percent (20%) of the Directors through the cumulative of all of their votes, the person nominated for the Board who received the highest number of votes cast by Members other than Declarant shall be elected to the Board, and the remaining Directors shall be elected in accordance with normal voting procedures.

ARTICLE VI. MEETINGS OF DIRECTORS

Section 6.01. Regular meetings of the Board of Directors shall be held monthly at such place and 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 (excluding Saturday and Sunday). Notice of the time and place of such meeting shall be posted at a prominent place or places

within the Common Area and shall be communicated to directors not less than four (4) days prior to the meeting; 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.

Section 6.02. Special meetings of the Board of Directors may be called by the President of the Association or by any two (2) Directors. A Special meeting of the Board of Directors shall be called by the giving of notice of the meeting to each director at least three (3) days prior to the time set for the meeting where the notice is given by first-class mail, personally or by telephone or telegraph to the director. The notice shall specify the time and place of the meeting and the nature of any special business to be considered at the meeting. A copy of the notice shall also be posted in the manner prescribed for posting of a notice of regular meetings of the Board of Directors.

Section 6.03. A majority of the 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.

Section 6.04. Regular and special meetings of the Board of Directors 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 of Directors may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon 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 discussed in executive session shall first be announced in open session. Meetings shall be held within the Association Property.

ARTICLE VII. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.01. The Board of Directors shall have power to:

- (a) Adopt and publish rules and regulations governing use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) Suspend the voting rights and the right to use of the recreational facilities of a Member during any period in which such Member shall be in default in

the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations. The power to suspend is subject to the following requirements:

1. On or before the last day of each year, the Secretary shall mail by first-class mail, postage prepaid, to each Member, a copy of the Association's rules and regulations;
 2. At least fifteen (15) days prior to any suspension, the Board shall mail by first-class mail to the Member to be suspended a notice containing the reasons for suspension and informing the Member that he has a right to be heard by the Board, orally or in writing, at a time and place to be specified in the notice. The time for the hearing shall be at least five (5) days before the effective date of the suspension;
- (c) Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- (d) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 7.02. It shall be the duty of the Board of Directors to:

- (a) Cause to be kept a complete record of all 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 at least five percent (5%) of the total voting power of the Association;
- (b) Supervise all officers, agents, and employees of this Association, and to see that their duties are properly performed;
- (c) As more fully provided in the Declaration, to:

1. Fix the amount of the annual assessment against each Lot 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;
 3. Foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same; and
 4. Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states, an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (c) Cause financial statements for the Association to be prepared and to be distributed to Members of the Association, as follows:
1. A proforma 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 sale of a Lot in the subdivision 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 and the name of the entity assessed; and
 3. An annual report consisting of a balance sheet as of the end of the fiscal year, an operating statement for the fiscal year, a statement of changes in financial position for the fiscal year, and any information required to be

reported under Section 8322 of the Corporations Code shall be distributed within one hundred twenty (120) days after the close of the fiscal year. For any fiscal year in which the gross income of the Association exceeds \$75,000, the annual report shall be prepared by an independent accountant. If it is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the statements were prepared without audit from the books and records of the Association.

- (e) Procure and maintain adequate liability and hazard insurance on property owned by the Association;
- (f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- (g) Cause the Common Area to be maintained; and
- (h) Cause the exterior of the dwelling to be maintained.

ARTICLE VIII. OFFICERS AND THEIR DUTIES

Section 8.01. The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 8.02. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 8.03. The officers of this 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 8.04. 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 8.05. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of

receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.06. 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 8.07. 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 8.04 of this Article.

Section 8.08. The duties of the officers are as follows:

- (a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, and other written instruments; and shall cosign all checks and promissory notes.
- (b) The Vice-President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.
- (c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal, if any, of the Association and affix it on all papers requiring said seal; 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) 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 sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare the financial statements required by these Bylaws, and deliver a copy of each to the Members.

ARTICLE IX. COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X. BOOKS AND RECORDS

Section 10.01. Any Member of the Association or his duly appointed representative has the right, by making demand on the Association, to inspect, at any reasonable time and for a purpose reasonably related to his interests as a Member, the books of account of the Association as well as the minutes of the meetings of the Members, the Board of Directors, or committees of the Board of Directors. The Board of Directors shall establish reasonable rules with respect to the notice to be given to the custodian of the records by the Member, the hours and days when inspection may take place, and payment of the cost of reproducing copies of documents requested by the Member. In addition, the Members of the Association shall have the rights prescribed by the Nonprofit Mutual Benefit Corporation Law of California to inspect, copy, demand, and obtain a list of the names, addresses, and voting rights of Members of the Association entitled to vote for the election of Directors of the Association.

Section 10.02. 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. This right includes the right to make extracts and copies of documents.

ARTICLE XI. ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the legal rate, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees or any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

However, in no event may a monetary penalty imposed by the Association as a disciplinary measure for failure of a Member

to comply with the Declaration of the Bylaws or as a means of reimbursing the Association for costs incurred by the Association in the repair or damage to common areas and facilities for which the member was allegedly responsible or in bringing the member and his residence into compliance with the Declaration or the Bylaws, be characterized or treated in the Declaration or Bylaws as an assessment which may become a lien against the owner's residence enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the California Civil Code.

ARTICLE XII. AMENDMENTS

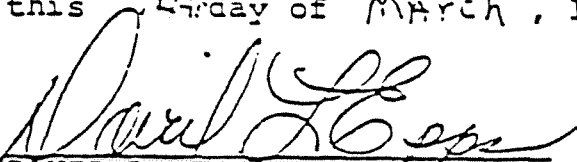
Section 13.01. These Bylaws may be amended, at a regular or special meeting of the Members, by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of the votes of Members other than Declarant, or where the two-class voting structure is still in effect, shall include a majority of each class of Members. Notwithstanding the above, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage or affirmative votes required for action to be taken under the clause.

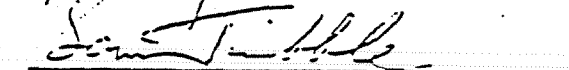
Section 13.02. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

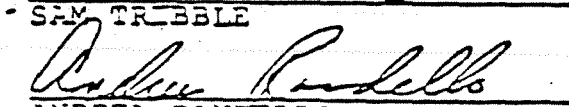
ARTICLE XIII. MISCELLANEOUS


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

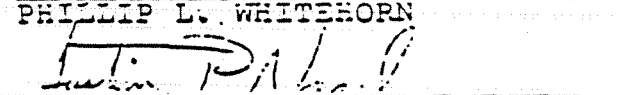
IN WITNESS WHEREOF, we, being all of the Directors of the ARROYO PARK TOWNHOME ASSOCIATION, have hereunto set our hands this 4th day of March, 1983.


DAVID L. EPPS


SAM TRIBBLE


ANDREA RANELLO


PHILLIP L. WHITEHORN


AUSTIN P. NAGEL

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENT THAT:

The undersigned, Secretary of the Association known as the ARROYO PARK TOWNHOME ASSOCIATION, does hereby certify that the above and foregoing Bylaws were duly adopted by the Board of Directors of said Association on the 14th day of March, 1983, and that they now constitute said Bylaws.


Secretary