

BYLAWS
OF
FAIRWAY OAKS AT STALLION SPRINGS HOMEOWNERS' ASSOCIATION

ARTICLE 1
OFFICE LOCATION

The Fairway Oaks at Stallion Springs Homeowners' Association, a California nonprofit corporation (hereinafter referred to as "Association") shall have its principal office at such place within the County of Kern, State of California as the Board of Directors of Association may determine; and may have other offices at such other places within the State of California as the Board of Directors may from time to time designate, or as the business of the Association may require.

ARTICLE 2
PURPOSES

The purposes of the Association shall be those set forth in its Articles of Incorporation and to carry out, exercise, discharge, operate, manage and enforce for the mutual benefit of the Association and all of its Members (i) the provisions, covenants, conditions and restrictions set forth in that certain Declaration of Covenants, Conditions and Restrictions (hereinafter referred to as the "Declaration") recorded with respect to Fairway Oaks, a Planned Unit Development, in the Office of the Recorder of the County of Kern, State of California, as the same may from time to time be amended and/or supplemented, and (ii) the provisions of these Bylaws, as the same may from time to time be amended.

ARTICLE 3
DEFINITIONS'

Unless separately defined herein or the context otherwise requires, the names, words and phrases used herein shall have the same meanings as set forth in the Declaration, and the definitions therein contained are hereby incorporated herein by this reference.

ARTICLE 4
MEMBERSHIP

4.01 Membership. Each person or entity who is or shall at any time become the record Owner of a fee or undivided fee

interest in any Lot which is subject to assessment by the Association (including Declarant with respect to any unsold or retained Lot) shall automatically, upon becoming such Owner, become a Member of Association and shall remain a Member thereof until he shall cease to be an Owner. The foregoing is not intended to include any person who holds an interest merely as security for the performance of an obligation. Transfer of a Lot shall automatically transfer membership in the Association.

4.02 Multiple Owners. When more than one person holds an interest in any Lot, all such persons shall be entitled to all of the rights and privileges of membership; provided, however, that there shall be only one vote attributable to such Lot.

4.03 Membership Rights. Subject to the provisions hereof, of the Declaration, and of the Rules and Regulations from time to time prescribed by the Board, each Member and his immediate family shall be entitled to the use and enjoyment of the Common Area. Any Member may assign his rights of use and enjoyment of the Common Area to his tenants or contract purchasers who reside in his Lot; provided, however, that the Association shall at all times have the power to limit the number of persons (other than immediate family of any Member) who shall exercise the right of use and enjoyment at any one time under one membership. Any designation or assignment of such rights shall not be effective until the Member shall give written notice to the Secretary of the Association setting forth the name of any such designee or assignee. The rights and privileges of any such designee or assignee shall be subject to suspension to the same extent as the rights of any Member.

4.04 Membership Certificate. The Association may provide for the issuance of certificates evidencing membership, which shall be consecutively numbered, shall be in such form as determined by the Board, and shall be issued over the signature of the President, Vice President, Secretary or Assistant Secretary. The names and addresses of each Member, the certificate number and the date of issuance of the certificate, and a description of the Condo giving rise to such membership, shall be entered in the Membership Register of the Association. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued subject to such reasonable conditions as the Board may determine. Membership of the Declarant need not be evidenced by a certificate of membership. Upon transfer of a Lot, the Membership Certificate held by the transferor shall be surrendered to and cancelled by the Secretary of the Association, and a new Membership Certificate shall be issued to the transferee.

4.05 Lack of Certificate. Each Member who is otherwise entitled to exercise the rights and privileges of membership may exercise such rights and privileges notwithstanding the

fact that such Member has not been issued or does not have in his possession a certificate of membership.

4.06 Membership Cards. The Association may issue cards to Members from time to time as the Board of Directors may deem necessary in order to assure proper identification and control.

4.07 Transfer of Membership. Membership in the Association shall not be transferred except upon the conveyance of the Lot giving rise to such membership, and then only to the transferee of such Lot. Any other attempted transfer or assignment of membership is and shall be null and void, and will not be reflected on the Membership Register of the Association. In the event an Owner should fail or refuse to transfer his membership to the transferee of the Lot giving rise to such membership, the Association shall have the right to record the transfer upon the Membership Register of Association, and thereupon the membership of the transferor of such Lot shall be null and void.

4.08 Liability of Members. No Member of Association shall be personally liable for any of the debts, liabilities and/or obligations of Association.

ARTICLE 5 MEMBERSHIP VOTING

5.01 Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be entitled to all rights and privileges of membership. The vote for such Lot shall be exercised as its Owners collectively determine, but in no event shall more than one vote be cast with respect to any Lot. In the event such persons are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any Owner casts a vote representing a Lot, it shall be conclusively presumed that he was acting with the authority and consent of all other Owners of the same Lot. In the event more than one vote representing a certain Lot is cast with respect to any one matter, none of such votes shall be counted and all such votes shall be deemed void.

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B Membership shall cease and be converted to

Class A Membership on the happening of any of the following events, whichever occurs earlier:

(a) At such time as the total votes outstanding in Class A Membership equal the total votes outstanding in the Class B Membership;

(b) Not later than the second (2nd) anniversary of the original issuance of the most recently issued subdivision public report for a phase of Fairway Oaks.

(c) Not later than the fourth (4th) anniversary of the original issuance of the subdivision public report for the first phase of Fairway Oaks.

5.02 Required Vote of Both Classes. Notwithstanding anything to the contrary as may be contained elsewhere in the Declaration or these Bylaws, any action by the Association which must have the approval of the membership of the Association before being undertaken, except for the action referred to in the Articles of the Declaration entitled "ENFORCEMENT OF BONDED OBLIGATIONS", shall require the vote or written assent of the percentage of each class of membership specified in the particular Article under which such action is being taken, during the period of time that there are two (2) outstanding classes of membership; after there has been a conversion of Class B membership to Class A membership, such action shall require the vote or written assent of a bare majority of the total voting power of the Association as well as the vote or written assent of the therein required percentage of the voting power of Members other than Declarant.

5.03 Special Class A Voting Rights. Notwithstanding the provisions of this Article, if the Class A Members do not have sufficient voting power pursuant to the voting rights set forth in the Declaration and these Bylaws to elect at least twenty per cent (20%) of the Directors at any meeting at which Class A Members are entitled to vote, then such Class A Members shall, by majority vote, among themselves, elect twenty percent (20%) of the Directors and the remaining vacancies on the Board shall be elected by the Class B Members. In no event shall the Class A Members be entitled to elect more than twenty percent (20%) of the Directors to the Board pursuant to the provisions of this Special Class A voting right.

5.04 Vesting of Voting Rights. All voting rights which are attributable to a specific Lot pursuant to the terms of the Declaration and these Bylaws shall not vest until such time as such Lot is subject to Regular assessments pursuant to the terms of the Declaration and these Bylaws.

5.05 Transfer of Right to Vote. The right to vote may not be severed or alienated in any way from the membership to which it is appurtenant nor from the Lot to which such membership is appurtenant, and any sale, transfer or conveyance of the Lot to a new Owner shall operate to transfer the appurtenant vote to said new Owner.

5.06 Suspension of Voting Rights. Notwithstanding anything to the contrary contained herein, no Member shall be entitled or eligible to vote, or to be elected to the Board of Directors, who is shown on the books and records of Association to be more than thirty (30) days delinquent in the payment of any Assessment to the Association; provided, however, that voting rights of a Member shall not be suspended for delinquency in the payment of any Assessment to the Association except after notice and hearing duly given and held by the Board of Directors of Association. Such notice shall be given at least 15 days prior to the effective date of such suspension and shall state the reasons therefor and shall provide such member an opportunity to be heard, orally or in writing, by the Board, at least 5 days prior to the effective date of suspension. Voting rights of a Member may also be suspended, after notice and hearing before the Board, for a period not in excess of thirty (30) days for any single failure to comply with any of the terms and provisions of the Declaration, these By-laws, or the rules, regulations, decisions or resolutions of the Board of Directors.

5.07 Proxy Voting. At any meeting of the members of Association each Member in good standing may vote in person or by proxy holder duly appointed by a written proxy, executed by the Member entitled to vote or by his duly authorized attorney-in-fact, and filed with the Secretary of the Association at or before any meeting at which a vote may be cast by such proxy holder. Any such proxy shall not be valid after the expiration of eleven (11) months from the date of its execution unless otherwise expressly provided therein, provided that in no case shall any proxy be valid for more than seven (7) years from the date of its execution. Any proxy shall be revocable, and shall be deemed to be revoked when (i) an instrument revoking it or a duly executed proxy bearing a later date is filed with the Secretary of Association, (ii) written notice of the death or incapacity of the Member executing such proxy is actually received by the Secretary of the Association, or (iii) the Condo owned by the Member executing such proxy is conveyed, thus terminating the status of the person executing such proxy as a Member. Any such proxy shall be invalid during any period within which the voting rights of the Member executing such proxy shall be suspended. Where two or more persons constitute a Member, any Proxy with respect to the vote of such Member shall not be valid unless executed by all such persons.

5.08 Method of Voting. Any vote taken for the election of Directors shall be by secret written ballot in form prescribed by the Board. All other issues presented at any meeting for a vote by the Membership shall be voted upon either by voice vote or by raise of hands or by secret written ballot at the option of the chairman of the meeting.

5.09 Cumulative Voting. Subject to the procedural prerequisites of Section 7615(b) of the Corporations Code, every Member entitled to vote at any election of Directors may cumulate his votes and give any one candidate for director a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which his membership is entitled, or distribute his votes on the same principal among as many candidates as he sees fit. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be deemed elected.

5.10 Action Without Meeting. Any action which may be taken, or is required to be taken, at a meeting of the Members of Association, with the exception of the election of Directors, may be taken without a meeting if such action is authorized by a writing or writings, setting forth the action, signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the Secretary of Association, in compliance with Section 7513 of the Corporations Code.

5.11 Voting Requirement. A majority vote of members entitled to vote who are present at any special or annual meeting at which a quorum is present shall decide any question brought before any such special or annual meeting unless the question is one upon which, by express provision of statute, the Articles of Incorporation, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control.

ARTICLE 6 MEMBERSHIP MEETINGS

6.01 Place of Meeting. Meetings of the members of Association shall be held at a suitable location within the Project or at a meeting place as close thereto as possible, convenient to the Members, as may be designated by the Board in the Notice for such meeting. Unless unusual conditions exist, meetings of members shall not be held outside of Kern County.

6.02 Annual Meetings. The first meeting of the Members of Association shall be held not more than forty-five (45) days after the close of sale of the Lot which represents the fifty-first (51st) percentile interest in the Project authorized for

sale under the Public Report for the Project, but in no event shall the first meeting be held later than six (6) months after the close of sale of the first Lot to be sold.

Thereafter, the annual meeting of the Members of Association shall be held on the first (1st) Saturday of July of each year at 1:00 p.m., or at such other reasonable time not more than thirty (30) days before or after said date as may be designated by the Board in the Notice for such meeting.

At such meetings Directors shall be elected, reports of the affairs of the Association shall be considered and any other business may be transacted which is within the power of the Members.

6.03 Special Meetings. Special meetings of the Members of Association may be called and held for any purpose or purposes at such times and places as may be ordered by the Board of Directors, Special meetings of the Members may be called by any of the following : (1) the President; (2) a majority of a quorum of the Board of Directors; or (3) one or more Members in good standing holding not less than five percent (5%) of the Class A Membership, Special meetings shall be called by the Board within twenty (20) days after receipt of a written request for such meeting signed by any persons entitled to call a special meeting of Members.

6.04 Notice of Meetings. Notice of all meetings of Members of Association, annual or special, shall be given in writing to all Members entitled to vote at such meeting, not less than ten (10) days nor more than ninety (90) days prior to the date fixed for such meeting, by or at the direction of the Secretary of Association. Notice may be delivered either personally or by mail, and, if delivery is by mail, shall be deemed to have been delivered at the expiration of two (2) business days after deposit of same in the united States mail, postage prepaid, addressed to the Member at the address of the Member which appears on the books and records of Association or supplied by the Member to Association for the purpose of notice. All such notices shall specify the place, the date and the hour of such meeting, and, in the case of a special meeting, shall also state the nature of the business to be considered or acted upon at such meeting.

6.05 Quorum. The presence at any meeting, in person or by proxy, of Members in good standing entitled to vote not less than twenty-five percent (25%) of the total votes of the membership, including at least twenty-five percent (25%) of the Class A Members entitled to vote, shall constitute a quorum for the transaction of business. The Members present at a duly called and held meeting at which a quorum is present may continue to do

business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum.

6.06 Adjourned Meetings and Notice Thereof. Any meeting of Members of Association, annual or special, may be adjourned from time to time by the vote of a majority of Members in good standing present in person or by proxy thereat, but in the absence of a quorum no other business shall be transacted at any such meeting.

When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

6.07 Adjournment for Lack of Quorum. If any meeting, annual or special, cannot be held for lack of a quorum, the meeting may, except as otherwise provided by law, be adjourned to a date not less than five (5) days nor more than thirty (30) days from the date the original meeting was held.

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

ARTICLE 7 DIRECTORS

7.01 Number. The number of Directors of Association shall be three (3), and collectively they shall be known as the Board of Directors.

7.02 Qualifications. Directors need not be Members of Association, Owners of Condos nor residents of the Project. Directors shall be eligible for re-election without limitation on the number of terms they may serve, except as hereinafter provided.

7.03 Powers. The Directors shall, subject to any limitations set forth in the Articles of Incorporation, exercise all powers and perform all duties of the Association, including but not limited to all powers and duties expressed or implied by law, the Articles of Incorporation, these Bylaws and the Declaration, control its property, and conduct its affairs. Said powers and duties shall include but shall not be limited to the following:

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

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

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

(d) Subject to the provisions of the Declaration, to enter any Lot for the purpose of maintaining, repairing or restoring the exterior of such Lot.

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

(f) To enforce by equitable and/or legal means any and all provisions of the Declaration and of these Bylaws as the same may from time to time be amended.

(g) To contract for the services-of any person or entity as Manager for the project and to delegate to such Manager all powers and duties of the Association except such as are specifically required by the laws of the State of California, the Declaration, these Bylaws or the Articles of Incorporation to be exercised or discharged by the Board of Directors, Officers of the Association or the Members of the Association.

(h) To pay all taxes and assessments which are liens against any portion of the Common Area and to assess, levy and collect Assessments against the Owners of Lots to defray such taxes and assessments as provided in the Declaration.

(i) To purchase or cause to be purchased insurance for the protection of the Common Area and the Association against casualty and property damage, personal injury and such other risks as are set forth in the Declaration or as may be deemed reasonably necessary by the Board of Directors.

(j) To pay all costs of trash collection, cable television, power, water, sewer and all other utility services provided to the Project which are not separately metered or charged to the individual Owners.

(k) To employ, supervise and compensate personnel to perform services required for the proper management and operation of the project.

(l) To delegate its powers according to these Bylaws, the Declaration and as otherwise authorized by law.

(m) To borrow money and to incur indebtedness for the benefit of the Association and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges or other evidences of debt as security therefore

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

(o) To appoint committees as it deems necessary from time to time in connection with the affairs of the Association.

(p) To appoint a Nominative Committee for the nomination of persons to be elected to the Board, which Committee shall consist of a Director as Chairman and two or more Members of the Association.

(q) To inspect at any reasonable time all books and records and make extracts and copies thereof, and to inspect all physical properties owned or controlled by the Association.

7.04 Limitations on Powers of Board. Neither the Board of Directors nor any Officer of the Association shall, without the vote or written assent of a majority of the Class A and Class B voting power:

(a) Enter into any contract with a third person or entity which will bind the Association for a term in excess of one (1) year with the following exceptions:

(i) A management contract the term of which has been approved by the Federal Housing Administration or the Veterans Administration;

(ii) A contract with a public utility company for the shortest term available at the regulated rate, if the rates charged are regulated by the Public Utilities Commission; or

(iii) Prepaid casualty and/or liability insurance policies not exceeding three (3) years duration, provided the policy permits short rate cancellation by the insured.

(iv) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under such agreement is not an entity in which the Class B Member has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

7.05 Initial Board of Directors. The initial Board of Directors of the Association shall be the three (3) persons named in the Certificate of Incorporator of Association, who shall hold such offices until the first meeting of Members of the Association and until their successors are elected.

7.06 Election of Board of Directors. At the first annual meeting of Members of the Association, the Members shall elect three (3) Directors for a term of one (1) year; at each annual meeting thereafter, the Members shall elect three (3) Directors for a term of one (1) year.

So long as there are both Class A and Class B Members of the Association, not less than one (1) of the incumbent Directors (twenty percent of the Board) shall have been elected solely by the Class A Members.

7.07 Vacancies. Except for vacancies created by removal of a Director, vacancies in the Board of Directors may be filled by majority of the remaining Directors, though less than a quorum, and each Director so elected shall hold office

until his successor is elected at an annual meeting of the Members of Association or at a special meeting of Association called for this purpose. A vacancy shall be deemed to exist in the case of the death, resignation or removal of any Director, or if the Members of the Association shall increase the authorized number of Directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect additional Directors so provided for, or in the event the Members of Association fail at any time to elect the full number of authorized Directors. Members of the Association may at any time elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment of the By-laws is voted authorizing an increase in the number of Directors. If any Director tenders his resignation to the Board of Directors, the Board shall have the power to elect a successor to take office at such time as the resignation shall become effective.

7.08 Removal of Directors. At any annual or special meeting, the entire Board of Directors or any individual Director may be removed from office by a vote of Members of Association, present in person or by proxy, entitled to vote, holding a majority of the membership. However, unless the entire Board is removed, an individual Director shall not be removed if the number of votes against the resolution for his removal would be sufficient to elect such 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 such Director were then elected. If any or all Directors are so removed, new Directors may be elected at the same meeting. The removal of Directors, and the election of new Directors, shall be by cumulative voting.

7.09 Limitation of Term. The term of any Director who is the Owner of a Lot, who becomes more than thirty (30) days delinquent in the payment of any Assessments due and payable to the Association, shall be automatically terminated and the remaining Directors shall appoint his successor as provided in Section 7.07 above.

7.10 Compensation. No compensation shall be paid to Directors for their services as Directors and no remuneration shall be paid to a Director for services performed by him for the Association in any other capacity except with the vote or written consent of a majority of the Class A voting power of the Association; provided, however, that the Board of Directors may cause a Director to be reimbursed for expenses incurred in carrying on the business of the Association.

7.11 Liability of Directors. No member of the Board of Directors shall be liable to the Members of the Association for any non-willful tort, mistake of judgment, negligence or otherwise, except for his own individual willful misconduct or bad

faith in the performance of his duties. The Members of the Association shall and do hereby agree to indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in good faith. Every contract or agreement made by the Board of Directors or by any Manager on behalf of the Association shall indicate that any or all of the Directors or the Manager, as the case may be, are acting only as agents for the Association, and neither the Board nor any member thereof nor any Manager shall have any personal liability thereunder.

7.12 Fidelity Bonds. The Board of Directors, all officers and employees of the Association, the Manager and all members of its staff, handling or responsible for any or all funds received or collected by the Association, shall be covered by adequate fidelity bonds, and the Board shall purchase such bond or bonds, as provided in the Declaration. The premiums on said bonds shall be paid by the Association out of the Regular Assessments.

7.13 Executive Committee. The Board of Directors shall have the power to appoint an Executive Committee and to delegate to such Committee any of the powers and authority of the Board in the management of the business and affairs of the Association, except the power to adopt, amend or repeal the Bylaws. Any such Executive Committee shall be composed of two (2) or more Directors.

7.14 Additional Committees. There may also be such additional boards, or committees, as shall be determined from time to time by the Board of Directors, consisting of those persons who may be selected therefor, and invited to become members thereof by the Board of Directors and having such powers and duties as may be delegated by the Board. Any such Board or committee shall exist, and the members thereof shall serve, at the pleasure of the Board of Directors.

ARTICLE 8 DIRECTORS MEETINGS

8.01 Place of Meetings. All special meetings of the Board of Directors of Association shall be held at any place within the Project which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. If, in the judgment of the Board of Directors a larger meeting room is required than is available within the Project, the Board shall select a meeting place as close as possible to the Project. Any regular or special meeting is valid, wherever held, if held on written consent of all members of the Board given either before or after the meeting and filed with the Secretary of the Association.

8.02 Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of their election at such time and place as shall be fixed by the Directors at the meeting at which they were elected and no further notice of such organization meeting shall be necessary provided that a quorum of the Board of Directors shall be present.

8.03 Regular Meetings. Regular meetings of the Board may be held at such time and place within the Project as shall be determined from time to time by a majority of the Directors, provided that not less than one (1) such regular meeting shall be held each calendar quarter during the fiscal year. All regular meetings of the Board shall be called by the President, or, if he is absent or is unable or refuses to act, by any Vice President or by any two (2) Directors. Notice of such regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, not less than four (4) days prior to the date named for such meeting and shall be posted in a prominent place within the Common Area. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to the holding of such meeting.

8.04 Special Meetings and Notices Thereof. Special meetings of the Board of Directors may be called for any purpose and at any time by the President, or, if he is absent or unable or refuses to act, by any Vice President or by any two (2) Directors. Written notice of the time, place and purpose of special meetings shall be delivered personally to each Director, or sent to each Director by mail or by other form of written communication, postage and charges prepaid, addressed to him at his address as it is shown on the records of the Association, at least three (3) days prior to the time of the holding of such special meeting, and posted as prescribed in 8.03, above.

8.05 Waiver of Notice. The transactions of any meeting of the Board of Directors, regular or special, 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 is present and if, either before or after such meeting, each of the Directors not present executes a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records of the Association or made a part of the minutes of the meeting. Attendance by a Director without protest at any meeting of the Board shall be a waiver of notice by him of the time and place thereof.

8.06 Quorum and Majority Action. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business; and every act or decision

made or done by a majority of the Directors present at any meeting at which a quorum is present shall constitute the act of the Board of Directors.

B.07 Adjournment. A majority of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour. In the absence of a quorum, a majority of the Directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board. Notice of the time and place of holding an adjourned meeting need not be given to any Director if the time and place are fixed at the meeting adjourned; provided, however, that notice of the time and place of holding any meeting adjourned for lack of a quorum shall be given all Directors.

8.08 Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors 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. An explanation of any action pursuant to this section shall be posted at a prominent place within the Common Area within three (3) days after consents of all Directors have been obtained.

8.09 Meetings Open. All meetings of the Board shall be open to all Members of the Association; provided, however, that Members who are not Directors may not participate in such meetings unless expressly so authorized by majority vote of a quorum of the Board.

ARTICLE 9 OFFICERS

9.01 Number and Titles. The Officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. 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 officers created pursuant to Section 9.03 hereof.

9.02 Election and Tenure. The Officers of Association, except (i) the Officers elected by the initial Board of Directors, (ii) Subordinate Officers as may be appointed in accordance with the provisions of Section 9.03 hereof, and (iii) such Officers as may be appointed in accordance with the provisions of Section 9.05 hereof, shall be chosen annually by the Board of Directors at the annual organization meeting of the Board, provided, that new offices may be created and filled at any meeting of the Board

of Directors. Each Officer shall hold office for one (1) year or until he shall resign or shall be removed or otherwise be disqualified to serve.

9.03 Subordinate Officers. The Board of Directors may appoint such other Officers as necessary for the management and administration of the Association, each of whom shall hold such office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

9.04 Removal and Resignation. Any Officer may be removed, either with or without cause, by a majority of the Directors whenever in their judgment the best interest of the Association would be served thereby, at any regular or special meeting of the Board. Any Officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Association. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

9.05 Vacancies. If the office of the President, Vice President, Secretary or Treasurer becomes vacant by reason of death, resignation, removal, or otherwise, the Board of Directors shall elect a successor who shall hold office for the unexpired term and until his successor is elected. A vacancy in any other office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired term and until a successor is elected.

9.06 Chairman of the Board. The Chairman of the Board, if there shall be such an Officer, shall, if present, preside at all meetings of the Members of the Association and of the Board of Directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the Board of Directors.

9.07 President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have and exercise general supervision, direction and control of the business affairs of the Association and the Officers thereof, and shall have the general powers and duties of management usually vested in the office of president-of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors. Within this authority and in the course of his duties, he shall preside, in the absence of a Chairman of the Board, at all meetings of the Members of the Association and of the Board of Directors; and he may execute, in the name of the Association, any deeds, leases, contracts, agreements and other papers and instruments in writing, and shall

co-sign all checks, drafts and promissory notes, which the Board of Directors have authorized to be executed.

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

9.09 Secretary. The Secretary shall certify and keep at the principal office of the Association the original or a copy of its Bylaws as amended from time to time. He shall keep the Minutes of all meetings of the Members of the Association and of the Board of Directors in one or more books provided for that purpose. He shall cause all notices to be duly given to the Members of Association and to its Board of Directors in accordance with the provisions of these Bylaws, the Declaration or as otherwise required by law. He shall be the custodian of the Association's records and of the seal of the Association and shall cause said seal to be affixed to all documents, the execution of which on behalf of the Association and under its seal is duly authorized in accordance with the provisions of these Bylaws. He shall keep a register of the post office address of each Member of the Association and its Directors and its Officers and shall perform all duties incident to the office of Secretary and such other duties as may be required or as from time to time may be assigned to him by the President or by the Board of Directors including but not limited to the filing, recordation and issuance of any notice, document, certificate or other instrument described in the Declaration or these Bylaws.

9.10 Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Association. He shall receive and give receipts for monies due and payable to the Association from any source whatsoever, and shall deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws and the Declaration and shall disburse such funds as directed by resolution of the Board; he shall sign all checks, drafts and promissory notes of the Association. He shall keep and maintain the assessment rolls and the accounts of the Members of the Association, keep and maintain the books of the Association in accordance with generally accepted accounting principles and cause financial statements and audits to be made thereof in accordance with Sections 10.02 and 10.03 hereof, and shall perform all other duties incident to the office of Treasurer and

such other duties as may from time to time be assigned to him by the President or the Board of Directors.

9.11 Compensation. No compensation shall be paid to any Officer of the Association for services performed in the conduct of the Association's business except with the vote or written consent of a majority of the Class A voting power of the Association; provided, however, that the Board of Directors may cause an Officer to be reimbursed for expenses incurred in carrying on the business of the Association.

ARTICLE 10
BOOKS, RECORDS, INSTRUMENTS, DEPOSITS AND FUNDS

10.01 Place of Keeping. The books, records and papers of the Association shall be kept at the principal place of business of the Association, and shall at all times during reasonable business hours be subject to inspection and copying by any Member or his duly-appointed representative.

10.02 Financial Reports. Financial statements for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association 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 prior to the beginning of the fiscal year:

(i) Estimated revenue and expenses on an accrual basis;

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

(iii) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to, major components of the common areas and facilities for which the Association is responsible; and

(iv) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the 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 close of the first sale of a *Condo* and an operating statement for the period from the aforesaid date of first close 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 itemized by Lot number and by the name of the person or entity assessed.

(c) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (i) a balance sheet as of the end of the fiscal year; (ii) an operating (income) statement for the fiscal year; (iii) a statement of changes in financial position for the fiscal year; and (iv) any information required to be reported under Section 8322 of the Corporations Code.

(d) In addition to financial statements, the "governing body shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against members' subdivision interests.

10.03 Auditors. The annual report referred to in 10.02(c) above shall be prepared by an independent accountant for any fiscal year in which the gross income of the Association exceeds \$75,000 and shall be accompanied by 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. If such report 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 from the books and records of the Association without independent audit or review.

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

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

10.06 Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, savings and loan associations, or other depositories as the Board of Directors may select in accordance with the provisions of the Declaration.

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

10.08 Rules Re: Inspection. The Board of Directors shall establish reasonable rules for (i) Notice to the Secretary, by Members desiring to inspect the Association's books and records, and (ii) payment of the cost of copying documents requested by Members.

ARTICLE 11 BYLAWS

11.01 Effective Date. These Bylaws shall become effective immediately upon their adoption. Amendments to these Bylaws shall become effective immediately on their adoption unless the Board of Directors, or Members, in adopting them, provide that they are to become effective at a later date.

11.02 Amendment. New Bylaws may be adopted or these Bylaws may be amended or repealed by the written consent of Members entitled to exercise a majority of each Class of voting power of Association, or by the vote of a majority of a quorum of each Class at a meeting of Members duly called according to the Articles and Bylaws for the purpose of amendment. At such time as the Class B membership has converted to Class A membership, amendments to, or adoption of new, bylaws shall require the vote or written assent of at least a bare majority of a quorum, but not more than a bare majority of the total voting power of the Association, and at least a bare majority of the votes of Members other than Declarant. The percentage of voting

power necessary to amend a specific Bylaw shall not be less than the percentage of affirmative votes prescribed for action to be taken under such Bylaw.

11.03 Certification and Inspection. The original or a copy of these Bylaws, as the same may from time to time be amended, shall be kept in the principal office of Association, and shall be open to inspection by the Members of Association at all reasonable times during office hours.

ARTICLE 12

12.01 Corporate Seal. The Board of Directors shall provide a corporate seal, which shall be in circular form having within its circumference the name of the Association, its date of incorporation, and the word "California".

12.02 Construction. As used in these Bylaws:

(a) The present tense includes the past and the future tenses, and the future tense includes the present.

(b) The masculine gender includes the feminine and neuter.

(c) The singular includes the plural, and the plural includes the singular.

12.04 Conflicts. If there are any conflicts or inconsistencies between the provisions of these Bylaws and the Articles of Incorporation, the Articles shall control; if there are any conflicts or inconsistencies between these Bylaws and the provisions of the Declaration, the terms and provisions of the Declaration shall control.

12.05 Notices. Any notice or communication permitted or required by these Bylaws to be given may, unless otherwise specified herein, be delivered either personally or by mailing the same, postage prepaid, addressed to the person entitled thereto as follows:

If to Association:	Fairway Oaks At Stallion Springs Homeowners' Association.
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If to Board of Directors, any member of the Board, or any officer of Association:	To that person by his title at such address as said person may from time to time designate in writing to Association.
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If to Owner:

To the street address of his Lot or at such other address as said Owner may from time to time designate in writing to Association.

If to Developer:

Leisure Industries, Inc.
2800 28th Street, Suite 200
Santa Monica, California 90405

provided, however, that any such address may be changed from time to time by notice to all other persons entitled to notice given in the manner provided [hereinabove](#).

All notices to be delivered by mail shall be deemed to be delivered at the expiration of two (2) business days after deposit of same in the United States mail with postage thereon fully prepaid.

RETURN TO AND
RECORDING REQUESTED BY:
FAIRWAY OAKS AT STALLION SPRINGS
PROPERTY OWNERS ASSOCIATION
P. O. Box 934
Tehachapi, CA 93581

FAIRWAY OAKS AT STALLION SPRINGS PROPERTY OWNERS ASSOCIATION

AMENDMENT TO BY-LAWS

We, the undersigned, Board of Director's of the Fairway Oaks Property Owners Association, Tehachapi, California, hereby certify that by affirmative vote of a majority of the members of the Board of Directors at a duly held meeting thereof on March 18, 1994, the following was adopted and approved by a majority vote of the membership by ballot.

1. Article 7.01 shall be deleted in its entirety and shall now read as follows:

"The number of Directors of the Association shall be five (5), and collectively they shall be known as the Board of Directors.

IN WITNESS WHEREOF, the undersigned have executed this Amendment to the By-Laws this 8th day of April, 1994.

FAIRWAY OAKS AT STALLION SPRINGS
PROPERTY OWNERS ASSOCIATION

[Original Signature on file]

LOUIS OLSON, PRESIDENT

NOTICE of BY-LAW AMENDMENT

Notice is hereby given that at the Annual Meeting of the members of FAIRWAY OAKS at STALLION SPRINGS PROPERTY OWNERS ASSOCIATION to be held on July 3, 2004, at 2;00 P.M., at 28401 Stallion Springs Drive, Stallion Springs, California, a VOTE will be taken to approve the Amendment of the By-Laws of the association as set forth below.

Your Board of Directors recommends that the By-Laws be amended again to provide continuity from one year to the next by electing Directors for 2-year terms with three (3) being elected in odd-numbered calendar years and two (2) being elected in even-numbered calendar years, so that technically each Board will have Directors with at least one-year experience to carry over for a second year to complete Board actions begun, but not completed in any one Board term. Your Directors recommend amending Section 7.06 of the By-Laws of the FAIRWAY OAKS at STALLION SPRINGS HOMEOWMER'S ASSOCIATION which currently reads:

"7.06 Election of Board of Directors. At the first annual meeting of Members of the Association, the Members shall elect three (3) Directors for a term of one (1) year; at each annual meeting, beginning in 1994, the members shall elect five (5) Directors for a term of one (1) year or until their successors are elected."

The proposed amended Article 7-06 shall read as follows:

"7.06 Election of Board of Directors and Term of Office. At the first annual meeting of Members of the Association, the Members shall elect three (3) Directors for a term of one (1) year," at each annual meeting, beginning in 1994, the members shall elect five (5) Directors for a term of one (1) year or until their successors are elected.

All Directors shall be elected for a term of one (1) year from date of Incorporation until June 30, 2003, and all Directors so elected shall serve until their successors are elected. Their terms of office shall begin on July 1 of each calendar year, with the exception of the period from date of Incorporation to June 30 of the following year when the terms of office shall begin with the date of Incorporation. The terms of Directors beginning July 1, 2004, shall be for two (2) years and be arranged to provide for the election of three (3) Directors each odd-numbered calendar year and of two (2) Directors each even-numbered calendar year, with the exception of the fiscal year beginning July 1, 2004, when five (5) Directors shall be elected with those receiving the highest number of votes being elected for the two (2) year term, ending on June 30, 2006 and the remaining Directors elected being elected for one (1) year terms, ending June 30, 2005, In the event of a tie in voting on Directors, the existing Board of Directors by majority vote shall determine the term of office of the Directors involved in the tie."

The proposed Amendment was approved at the July 3, 2004, meeting.

Respectfully submitted,
DAVID G. OVERHOLT, Secretary