

BYLAWS
OF
LANESEND HOMEOWNERS ASSOCIATION

ARTICLE I

1. General Plan of Ownership.

1.1 Name.

The name of the corporation is **LANESEND HOMEOWNERS ASSOCIATION**, hereinafter referred to as the "Association". The principal office of the Association shall be located in Orange County, California.

1.2 Application.

The provisions of these Bylaws are applicable to the phased planned residential development known as LanesEnd, located in the County of Orange, State of California (the "Properties"). All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for LanesEnd (the "Declaration" herein) Recorded or to be Recorded in the Official Records of Orange County and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties or the mere act of occupancy of any Lot will signify that these Bylaws are accepted, ratified, and will be complied with.

1.3 Definitions.

Unless otherwise provided herein, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Declaration.

ARTICLE II

2. Voting by Association Membership.

2.1 Voting Rights.

The Association has two (2) classes of voting Membership, as follows:

Class A. Class A Members are those Owners with the exception of Declarant and Merchant Builders for so long as there exists a Class B Membership. Class A Members are entitled to one (1) vote for each Lot owned and subject to assessment as further provided in the Declaration.

Class B. The Class B Members are Declarant and Merchant Builders. The Class B Members are entitled to three (3) votes for each Lot owned by such Class B Members and subject to assessment, provided that the Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events:

(1) The second anniversary of the first Close of Escrow in the most recent Phase; or

(2) The fourth anniversary of the first Close of Escrow in Phase 1A or Phase 1B.

All voting rights are subject to the restrictions. Except as provided in Section 13.10 of the Declaration and Section 4.8 of these Bylaws, any provision of the Restrictions which requires the vote or written consent of a specified percentage of the Association's voting power before action may be undertaken (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) requires the approval of such specified percentage of (a) each class of Membership so long as a Class B Membership exists, and (b) both the Association's total voting power and the Association's voting power residing in Members other than Declarant.

2.2 Majority of Quorum.

Unless otherwise provided in the Restrictions, any action which may be taken by the Association may be taken by a majority of a quorum of the Members.

2.3 Quorum.

Except as otherwise provided in these Bylaws, the presence in person or by proxy of twenty-five percent (25%) of the Association's voting power constitutes a quorum of the Membership. Members present at a duly called or 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, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a meeting is actually attended, in person or by proxy, by Members having less than one-third (1/3rd) of the Association's voting power, then no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.5 hereof. No action by the Members on any such matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Restrictions to approve such an action.

2.4 Proxies.

Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary in advance of each meeting. Every proxy is revocable and automatically ceases after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any person to the Members must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it is not mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person or persons authorized to exercise the proxy and the length of time it will be valid. No proxy is

valid with respect to a vote on any matter described in Section 7613(g) of the California Corporations Code unless the general nature of the proposal was set forth in the proxy.

ARTICLE III

3. Administration.

3.1 Association Responsibilities.

In accordance with the Declaration, the Association is responsible for administering the Properties, maintaining and repairing the Association Property, approving the Budget, establishing and collecting all assessments authorized under the Declaration, and arranging for overall architectural control of the Properties.

3.2 Place of Meetings of Members.

Meetings of the Members shall be held on the Properties or such other suitable place as proximate thereto as practical and convenient to the Members as designated by the Board.

3.3 Annual Meetings of Members.

The first annual meeting of Members shall be held within six (6) months after the first Close of Escrow for the sale of a Lot in the Properties. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. Each first Mortgagee may designate a representative to attend all annual meetings.

3.4 Special Meetings of Members.

The Board shall call a special meeting of the Members (a) as directed by the resolution of a majority of a quorum of the Board, (b) by request of the President of the Association, or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of the Association's total voting power. The Secretary shall give notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time and place of such meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a special meeting except as stated in the notice. Each first Mortgagee may designate a representative to attend all special meetings.

3.5 Notice.

The Secretary shall send a notice of each annual or special meeting by first-class mail, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record and to each first Mortgagee who has filed a written request for notice with the Secretary, at least ten (10) but not more than thirty (30) days prior to such meeting. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice must specify those matters the Board intends to present for action by the Members, but, except as otherwise provided