

BYLAWS  
OF  
SURFCREST CORPORATION

ARTICLE I  
NAME AND LOCATION

The name of the corporation is SURFCREST CORPORATION, hereinafter referred to as the "Association." The principal office of the corporation shall be located at Huntington Beach, California.

ARTICLE II  
DEFINITIONS

Section 1. "Association" shall mean and refer to SURFCREST CORPORATION, its successors and assigns.

Section 2. "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 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties, except the Common Area.

Section 5. "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 a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Seacliff Partners, and its successors and assigns, if such successors or assigns should acquire five or more Lots from the Declarant for the purpose of development or sale.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the County Recorder of Orange County, California, on September 30, 1994, as Instrument No. 94-0590770, and any amendments thereof.

Section 8. "Member" shall mean and refer to any person or entity which holds membership in the Association.

ARTICLE III  
MEMBERSHIP AND VOTING RIGHTS

Section 1. Every owner of a Lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two (2) classes of voting membership:

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

(b) Class B. Class B members 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 either of the following events, whichever occurs earlier:

(1) Two (2) years from the date of the conveyance of the first lot to be conveyed to an Owner in the most recent phase of the overall development, or

(2) Four (4) years from the date of the conveyance of the first of the Lots in the initial phase of the development of the Properties to be conveyed to an Owner.

ARTICLE IV  
MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within six (6) months from the date of the closing of the first sale of a Lot. Subsequent regular annual meetings of the members shall be held on the anniversary date of the first annual meeting each year thereafter, at the hour of 7:30 p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. A special meeting of the members of the Association shall be promptly scheduled by the Board of Directors in response to the vote for such by the Board of Directors itself, or upon written request signed by members representing at least five percent (5%) of the total voting power of the Association.

Section 3. Place of Meetings. Both annual and special meetings of members shall be held within the Properties, or as close thereto as practicable.

Section 4. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Board of Directors, by any means which is appropriate given the physical setup of its Properties, not less than ten (10) days nor more than ninety (90) days before such meeting to each member entitled to vote thereat. Such notice shall specify the place, day and hour of the meeting and the matters the Board of Directors intends to present for action by the members. Except as otherwise provided by law, any proper matters may be presented at the meeting for action.

Section 5. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast a majority of the total voting power of the Association shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these ByLaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting to a date not less than five (5) nor more than thirty (30) days in the future. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, written notice of the date, time and place of said adjourned meeting shall be given in the manner provided in Section 4 of this Article IV. At such adjourned meeting, the presence in person or by proxy of twenty-five per cent (25%) of the total voting power of the Association shall constitute a quorum other than for the purpose of voting on matters authorized under Sections 3 and 4 of Article IV of the Declaration.

Section 6. Proxies. 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 Lot. Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except that it shall not be mandatory that a candidate for election to the Board of Directors be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time the proxy will be valid.

Section 7. Rules. Meetings of members shall be governed by Robert's Rules of Order, except where such Rules of Order are inconsistent with the Declaration of Restrictions, the Articles of Incorporation or these ByLaws.

Section 8. Action Without Meeting. Any action which may be taken by the vote of the members at a regular or special meeting, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code.

ARTICLE V  
BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) directors, who need not be members of the Association.

Section 2. Term of Office. At the first annual meeting and at each annual meeting thereafter, the members shall elect five (5) directors. All directors shall be elected for a term of one (1) year. At all times, at least 20% of the directors shall have been elected solely by the Class A members.

Section 3. Removal. The entire Board, or any individual director, may be removed from office by a vote of members holding a majority of the voting power of the Association entitled to vote at an election of directors. Unless the entire Board of Directors is removed from office by the vote of members of the Association, no individual director shall be removed prior to the expiration of his term of office if 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 most recent election of directors were then being elected; provided, however, that a director elected solely by the votes of the Class A members pursuant to the last paragraph of Article VII of the Association's Articles of Incorporation may be removed by a simple majority of said Class A members. If any or all directors are so removed, new directors may be elected at the same meeting. In the event of death or resignation of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

ARTICLE VI  
NOMINATION AND ELECTION OF DIRECTORS

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

announced at each annual meeting. In the event that a member of the Nominating Committee shall die, become incapacitated, resign or cease to be a member of the Association, the Board of Directors, at the next regular meeting, shall appoint a replacement member to the Nominating Committee. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. A member shall be entitled to cumulate his or her vote for one or more candidates for the governing body if the candidate's name has been placed in nomination prior to voting and if the member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. If cumulative voting is in effect, each member entitled to vote at any election for 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 his Lot or Lots are entitled, or distribute his votes on the same principle among as many candidates as he thinks fit. The candidates receiving the highest number of votes up to the number of directors to be elected are elected.

## ARTICLE VII MEETINGS OF DIRECTORS

Section 1. Regular Meetings. An organization meeting of the Board of Directors shall be held within seventy-two (72) hours after each annual meeting of members. 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. Notice of the time and place of a regular meeting shall be posted at a prominent place or places within the common area and shall be communicated to all directors not less than four (4) days prior to the meeting unless the time and place of meetings is fixed by the bylaws; 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. If the Common Area consists only of an easement or is otherwise unsuitable for posting such notice, the Board of Directors shall communicate the notice of time and place of such meeting by any means it deems appropriate. 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.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than seventy-two (72) hours notice to each director. Notice shall be posted or communicated in a manner prescribed for notice of regular meetings and shall be sent to all directors not less than 72 hours prior to the scheduled time of the meeting; provided,

however, that notice of the meeting need not be given to any director who signed a waiver of notice or a written consent to holding of the meeting. Said Notice shall specify the time and place of the meeting and the nature of the business to be considered.

Section 3. Place of Meetings. Both regular and special meetings of the Board of Directors shall be held within the Properties unless, in the judgment of the Board of Directors, a larger meeting room is required than exists within the Properties, in which case the meeting room selected shall be as close to the Properties as possible.

Section 4. Quorum. 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 5. Open Meetings.

(a) Regular and special meetings of directors shall be open to all members of the Association provided, however, that Association members who are not on the Board of Directors may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the directors.

(b) The Board of Directors may, with the approval of a majority of its members present at a meeting at which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 6. Action Without Meetings. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors. In the event action is taken by unanimous written consent, an explanation of the action so taken shall be posted at a prominent place or places within the Common Area within three days after the written consents of the directors have been obtained. If the Common Area consists only of an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board of Directors shall communicate such explanation by any means it deems appropriate.

Section 7. Minutes.

(a) The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors of the Association, other than an executive session, shall be available to members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member of the Association upon request and upon reimbursement of the Association's costs of reproducing copies of the documents.

(b) Members of the Association shall be notified in writing at the time that the pro forma budget required in Section 3 of Article VIII of the Declaration is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained and the cost of obtaining such copies.

ARTICLE VIII  
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

(a) Adopt and publish rules and regulations governing the use of the Common Areas and the facilities thereon, 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 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, and monetary penalties imposed, after due notice and hearing, for a period not to exceed thirty (30) days for each infraction of published rules and regulations, these Bylaws and the Declaration; provided, however, that no such discipline shall be imposed unless:

(i) The accused member has been notified in writing of the nature of the alleged infraction, the fact that the Association intends to take disciplinary action and the fact that the member has the right to be heard orally or in writing in his own defense. Such notice shall be given not less than fifteen (15) days prior to the date upon which discipline is to be imposed, either by personal service or by first class or registered mail directed to the last address of the accused member shown on the records of the Association; and

(ii) The accused member has failed to request a hearing or to submit written objections to actions proposed to be taken within ten (10) days after service of notice; or

(iii) If requested by the accused member, the Board of Directors, at least five (5) days prior to imposition of discipline, has held a hearing at which the accused member was given the opportunity to be heard in his own defense and to face the accusers; and/or

(iv) The Board of Directors, at least five (5) days prior to imposition of discipline, has duly considered any written presentation of the accused member offered in his own defense; or

(v) The Association has otherwise complied with the requirements of Section 7341 of the California Corporations Code.

(c) If the Association adopts or has adopted a policy imposing any monetary penalty, including any fee, on any Association member for a violation of the governing documents or rules of the Association, including any monetary penalty relating to the activities of a guest or invitee of a member, the Board of Directors shall adopt and distribute to each member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for member discipline contained in the Declaration and these Bylaws. The Board of Directors shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was adopted and distributed to the members pursuant to this subsection 1(c). The Board of Directors of the Association shall meet in executive session, if requested by the member being disciplined, and the member shall be entitled to attend the executive session.

(d) 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;

(e) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive meetings of the Board of Directors; and

(f) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

(g) Elect officers of the Association.

(h) Fill vacancies on the Board of Directors except for a vacancy created by the removal of a director.



Section 2. Duties. 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 one-fourth (1/4th) of the Class A members who are entitled to vote;

(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 assessments 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; and

(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.

(d) Issue, or 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;

(e) Procure and maintain adequate liability and hazard insurance on property the maintenance of which is an obligation of the Association, and such other insurance as the Board may deem appropriate or advisable.

(f) Cause all officers or employees having fiscal responsibilities to be bonded;

(g) Cause the Common Area to be maintained, as more fully set forth in the Declaration.

(h) At least once each calendar quarter:

(1) Cause a current reconciliation of the Association's operating accounts to be made and shall review the same.

(2) Cause a current reconciliation of the Association's reserve accounts to be made and shall review the same.

(3) Review the current year's actual reserve revenues and expenses compared to the current year's budget.

(4) Review the most current account statements prepared by the financial institution(s) where the Association has its operating and reserve accounts.

(5) Review an income and expense statement for the Associations's operating and reserve accounts.

Section 3. Limitations of Powers. The Board of Directors shall not, without the vote or written assent of a majority of the voting power of the Association, excluding the votes of Declarant:

(a) Enter into a contract for the providing of goods and services for a term longer than one year, other than prepaid casualty or liability insurance policies of not more than three (3) years duration provided that such policy provides for short rate cancellation by the insured.

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

(d) Pay compensation to directors or to officers of the Association for services performed in the conduct of the Association's business provided, however, that the Board of Directors may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(e) Fill a vacancy on the Board of Directors created by removal of a director.

## ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. 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 chief financial officer, and such other officers as the Board may from time to time by resolution create.

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

Section 3. Term. The officers of this Association shall be elected annually by the Board at its organization meeting. The term of each officer shall commence at the close of that meeting, and each officer shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

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

Section 5. Resignation and Removal. Any officer may be removed from office 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 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

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

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

(a) President. 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 co-sign all promissory notes.

(b) Vice-President. 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) Secretary. 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 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) Chief Financial Officer. The Chief Financial Officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks (except to the extent such duty is delegated to the professional manager) and promissory notes of the Association; and shall keep proper books of account. Provided, however, that withdrawal of funds the Association's reserve accounts shall require the signatures of either (i) two members of the Board of Directors or (ii) one member of the Board of Directors and an officer of the Association who is not a member of the Board of Directors.

#### ARTICLE X COMMITTEES

The Board of Directors shall appoint an Architectural 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 purposes.

#### ARTICLE XI BOOKS AND RECORDS

Section 1. Access to Books and Records. The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the members, of the Board of Directors and of committees of the Board of Directors of the Association shall be made available for inspection and copying by any member of the Association, or by such member's duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the Properties as the Board of Directors shall prescribe.

Section 2. Rules Respecting Access. The Board of Directors shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the member desiring to make the inspection.

(b) Hours and days of the week when such an inspection may be made.

(c) Payment of the cost of reproducing copies of documents requested by a member.

Section 3. Directors' Rights of Access. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE XII  
ASSESSMENTS

As more fully provided in the Declaration each member is obligated to pay to the Association regular and special assessments, all of 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 due date at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the property, and interest, costs and reasonable attorneys' fees of 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 abandonment of his Lot.

ARTICLE XIII  
CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "SURFCREST CORPORATION Incorporated September 29, 1994, California."

ARTICLE XIV  
AMENDMENTS

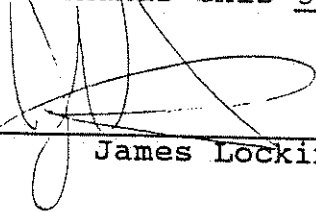
These Bylaws may be amended by the vote or written consent of members representing not less than fifty-one percent (51%) of each class of members so long as there are two classes of members, and by fifty one percent (51%) of the voting power of the Association and by the votes of fifty-one percent (51%) of the members, other than Declarant, thereafter.

ARTICLE XV  
MISCELLANEOUS

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.

IN WITNESS WHEREOF, we, being all of the Directors of SURFCREST CORPORATION, have set our hands this 3rd day of October, 1994.



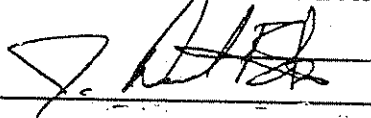
James Lockington



Steve Howell



H. Bill Ehrlich



Desmond Bunting



Adam Browning