

**FOURTH AMENDED AND RESTATED
BYLAWS
OF
SEAL BEACH SHORES, INC.**

Adopted September 17, 2013

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**FOURTH AMENDED AND RESTATED
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OF
SEAL BEACH SHORES, INC.**

WHEREAS, these Fourth Amended and Restated Bylaws were amended in accordance with the prior Third Amended and Restated Bylaws, and any and all amendments hereto conform with the legislative action by the State of California repealing the existing Davis-Stirling Act, *California Civil Code Sections 1350 et seq.*, and re-enacting the Davis-Stirling Act as *California Civil Code Sections 4000 et seq.*, effective January 1, 2014.

WHEREAS, the additions, definitions, and modifications contained herein are enacted to conform with California law, pursuant to *California Civil Code Section 4355(b)(4)* (formerly *California Civil Code Section 1357.120(b)(4)*), and the Board of Directors of the Association has approved such additions, definitions or modifications by majority vote or more of the total number of directors.

NOW THEREFORE, The Corporation hereby declares that the Corporation shall be subject to the following Bylaws.

ARTICLE 1. NAME, LOCATION AND STATUS

Section 1.1 Name of Corporation. The name of this corporation is Seal Beach Shores, Inc., a California nonprofit public benefit corporation (the “**Corporation**”). The principal office for the transaction of the business of the Corporation (“**Principal Executive Office**”) is located at 313 Welcome Lane, Seal Beach, CA 90740. The board of directors of the Corporation (the “**Board of Directors**,” the “**Board**,” or the “**Directors**”) may change the Principal Executive Office from one location to another within Orange County; provided, however, that such change shall require written approval of two-thirds (2/3) of the Members. The Corporation owns Seal Beach Shores Mobilehome Park (the “**Community**”). A Declaration of Establishment of Covenants, Conditions, and Restrictions, and any amendments thereto (the “**Declaration**”), will be recorded against the Community in accordance with California law.

Section 1.2 Irrevocable Dedication Clause. Corporation Equity and property owned by the Corporation are irrevocably dedicated to charitable purposes and no part of the net income or assets of the Corporation shall ever inure to the benefit of any director, officer or member thereof or the benefit of any private person.

Section 1.3 Dissolution Clause. Upon the dissolution or winding up of the Corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of the Corporation shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

ARTICLE 2. DEFINITIONS

Section 2.1 Definitions and Provisions from Declaration Incorporated by Reference. Any definitions not specifically defined herein, and other provisions contained in the Declaration, are incorporated into these Bylaws of Seal Beach Shores, Inc. (“**Bylaws**”) by reference.

Section 2.2 Membership Information Report. “Membership Information Report” shall mean that certain disclosure document related to the ownership of Memberships in the Corporation.

Section 2.3 Subscription Agreement. “Subscription Agreement” shall mean that certain agreement whereby persons agree with the Corporation to purchase Memberships in the Corporation.

ARTICLE 3. MEMBERSHIP AND VOTING

Section 3.1 Eligibility. Any natural person (or revocable intervivos trust) shall be eligible for membership in the Corporation (“**Membership**”) if he or she meets all of the following requirements:

A. Board of Directors Approval of Prospective Member. The Board of Directors, after a personal interview by a prospective member’s appointed representative and a review of application materials, determines (in its discretion, which shall not be unreasonably withheld) that the prospective member (or trustor of the revocable intervivos trust) has independently qualified for Membership and has the financial ability to pay the assessments set forth in Article 10 herein (“**Assessments**”), their residency within the Community will be consistent with the nature and character of the Community as presented in the Governing Documents and, based on the prospective member’s prior tenancies, determines that the prospective member will comply with the Community’s Rules and Regulations (“**Rules and Regulations**”).

B. Residence in the Community/Registered Owner. The prospective member (or trustor of the revocable intervivos trust) will reside in the Community. The prospective member (or the trust) is or will be the owner of a Home or recreational vehicle (“**Home**”) within the Community.

C. Home is Principal Place of Residence. The prospective member (or the trustor of the trust) occupies the Home as his or her principal place of residence and not as a rental property (provided, however, any existing owners within the Community as of its acquisition by Seal Beach Shores, Inc. shall be grandfathered in, not having to occupy their Home as their primary residence).

D. Executed Occupancy Agreement. The prospective member (or the trustor of the revocable intervivos trust) has signed an occupancy agreement, as adopted by the Board from time to time (“**Occupancy Agreement**”). Such Occupancy Agreement shall contain a provision requiring the prospective member to occupy the Home that he or she places in the Community as his or her principal place of residence and require new owner residents to join the Corporation.

E. Paid Application Fee. The prospective member has paid a reasonable application fee, as set by the Board of Directors; provided, however, that such amount shall not exceed the lesser of Two Hundred Dollars (\$200.00) or actual costs related to the issuance or re-issuance of Memberships; provided, also, that the application fee shall be subject to an inflation allowance at a rate which is based on the Federal Reserve one year T-Bill rate as of January 1 of each year. Any incremental increase in the application fee pursuant to this subsection shall not exceed a ten percent (10%) annual increase on the application fee paid by the last prospective member.

F. California Residency Status or Blue Sky Exemption. The prospective member is a California resident; provided, however, that any prospective member who is not a California resident shall remain eligible for Membership if the Corporation’s legal counsel determines that such prospective member will not cause any violation of Rule 147 of the Securities and Exchange Commission.

G. Prospective Member not already a Member. The prospective member (or his or her spouse or his or her minor children) is not already a member of the Corporation, such that no Member

may hold more than one Membership in the Corporation (when aggregating the Memberships of each Member and his or her spouse and his or her minor children).

H. No Denial of Membership against Public Policy. Membership shall not be denied to any Owner because of race, sex, color, religion, creed, marital status, AIDS, sexual orientation, national origin, ancestry, familial status, source of income, or conditions of physical or mental disability.

Section 3.2 Eligibility to Vote. Voting rights attributable to a Space or Spaces shall not vest until assessments against the Space or those Spaces have been levied by the Corporation pursuant to the Declaration (“**Assessment**”). Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all Assessments levied against the Member’s Space and not subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Governing Documents of the Corporation, as defined these Bylaws and in the Declaration. A Member’s good standing shall be determined as of the record date established in accordance with Section 4.18 of these Bylaws. The Corporation shall not be obligated to conduct a hearing in order to suspend a Member’s voting privileges on the basis of the nonpayment of Assessments, although a delinquent Member shall be entitled to request such a hearing. A Member shall maintain good standing if said standing has not been suspended by the provisions of these Bylaws and the Member has maintained a current filing with the Corporation of the following: (i) the signature of signatures of the Owner(s) authorized to vote on behalf of the Member’s Space; and (ii) address where all notices shall be sent; or, alternatively, (iii) a proxy that names the Owner’s representative and lists said representative’s address.

Section 3.3 Membership Classes and Voting Rights. Membership shall be held and memberships shall be classified as provided in the Declaration. Voting rights attributable to Spaces shall not vest until Assessments against those Spaces have been levied by the Corporation. The Corporation shall have one class of voting membership, with each Member entitled to vote as set forth in the Declaration.

Section 3.4 Shared Membership Rights. Subject to Sections 5.1 and 5.5 of the Declaration, Membership rights may be shared between and exercised jointly by the members of a household, provided that there shall be only one Membership per “Space” or “Lot” (as defined below) and only one vote per Membership. For the purposes of these Bylaws, “**Space**” or “**Lot**” means a portion of land allocated for placement of a Home pursuant to an Occupancy Agreement executed by a member of the Corporation (“**Member**”) and the Corporation.

Section 3.5 Application for Membership. Applications for Membership shall be presented to the Board of Directors or agent of the Board of Directors on a form prescribed by the Board of Directors, and all such applications shall be acted upon at the next regularly scheduled meeting of the Board of Directors but no later than thirty (30) business days following receipt by the Board of all information requested from the prospective member. The Board of Directors shall inform the prospective member and the corresponding departing Member in writing of its acceptance or rejection of the application, and the reason for any rejection, within seven (7) business days of the Board action.

Section 3.6 Members; Occupancy Agreements. The Members shall consist of persons who have been approved by the Board of Directors, who have executed all Governing Documents (including, but not limited to, the Subscription Agreement) and who have paid for their Memberships and received “**Membership Certificates,**” issued pursuant to Section 3.7 below. The authorized number of Memberships shall be equal to the number of Spaces within the Community owned by the Corporation or other Members, minus any Spaces which are both (a) owned by the Corporation and (b) rented to the resident manager (provided, however, a space which is utilized by the resident manager but owned by the resident manager shall not be excluded from the authorized number of Memberships). Each Member

shall have the exclusive right to occupy a Space pursuant to an Occupancy Agreement.

A. Requirement to have Very Low Income Residents. Measured at the time of the initial purchase of Memberships, at least twenty percent (20%) of the Members or other persons lawfully occupying the Community who are not Members (“**Residents**”) shall be persons or households with incomes equal to or less than the income for “very low income households” (as defined in *California Health & Safety Code Section 50105(a)*) (the “**Very Low Income Residents**”).

B. Requirement to have Lower Income Residents. Measured at the time of the initial purchase of Memberships, in addition to the Very Low Income Residents, at least an additional ten percent (10%) of the Residents shall be persons or households with incomes equal to or less than the income for “lower income households” (as defined in *California Health & Safety Code Section 50079.5*) (the “**Lower Income Residents**”). A total of not less than thirty percent (30%) of the Residents shall be Lower Income Residents (of which not less than 20% shall be Very Low Income Residents).

C. Requirement to have Moderate Income Residents. Measured at the time of the initial purchase of Memberships, in addition to the Very Low Income Residents and the Lower Income Residents, at least an additional fifty percent (50%) of the Residents shall be persons or households with incomes equal to or less than the income for “persons and families of moderate income” (as defined in *California Health & Safety Code Section 50093(b)*) (the “**Moderate Income Residents**”). A total of not less than eighty percent (80%) of the Residents shall be Moderate Income Residents (of which not less than 20% shall be Very Low Income Residents and not less than 30% shall be Lower Income Residents).

Notwithstanding the foregoing, Membership in the Corporation shall be subject to compliance with any applicable agreements and/or restrictions of record, including, but not limited to, any regulatory agreements affecting Membership.

Each Member shall have the exclusive right to occupy a Space pursuant to an Occupancy Agreement

Section 3.7 Membership Certificates. The form of each Membership Certificate (“**Membership Certificate**”) issued by the Corporation shall be approved by the Board of Directors. Each Membership Certificate shall state that the Corporation is organized under the laws of the State of California and the name of the registered holder of the Membership represented thereby. Each Membership Certificate shall also contain the following legends:

A. THE CORPORATION IS A NONPROFIT PUBLIC BENEFIT CORPORATION WHICH MAY NOT MAKE DISTRIBUTIONS TO ITS MEMBERS DURING ITS LIFE OR UPON DISSOLUTION;

B. THERE ARE RESTRICTIONS UPON THE TRANSFERABILITY OF THE MEMBERSHIP CERTIFICATE. A COPY OF SUCH RESTRICTIONS IS ON FILE WITH THE SECRETARY OF THE CORPORATION AND IS OPEN FOR INSPECTION BY MEMBERS ON THE SAME BASIS AS THE CORPORATION’S RECORDS.

C. THIS CERTIFICATE, AND THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE, SHALL BE SUBJECT TO ALL CLAIMS, DEMANDS, AND DEBTS OWING TO THE CORPORATION BY THE RECORD HOLDER OF THESE SHARES AND ALSO SUBJECT TO ALL CONTRACTS AND AGREEMENTS OF THE RECORD HOLDER OF THESE SHARES MADE WITH OR ON BEHALF OF THE CORPORATION WITH REFERENCE TO THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE. THE CORPORATION SHALL HAVE A FIRST AND PRIOR LIEN ON ANY AND ALL SHARES FOR ANY INDEBTEDNESS OWING BY THE

RECORD HOLDER TO THE CORPORATION. THAT LIEN SHALL COVER ANY INDEBTEDNESS, WHETHER DUE OR TO BECOME DUE, WHETHER NOW EXISTING OR CREATED AFTER THE DATE OF ISSUANCE OF THIS CERTIFICATE, WHETHER CONTINGENT OR FIXED, AND WHETHER PRIMARY OR SECONDARY. THE CORPORATION MAY REFUSE TO TRANSFER SHARES OF ANY RECORD HOLDER UNTIL ALL INDEBTEDNESS OF THE RECORD HOLDER IS PAID IN FULL.

Membership Certificates shall be consecutively numbered, bound in one or more books, and issued therefrom upon certification of full payment. Every Membership Certificate shall be signed by the President or Vice President of the Corporation's Board and the Secretary of the Corporation's Board.

Section 3.8 Lost Certificates. The Board of Directors may direct a new Membership Certificate to be issued in place of any Membership Certificate previously issued by the Corporation and alleged to have been destroyed, lost, or stolen upon the making of an affidavit of the fact by the person claiming such certificate to be destroyed, lost, or stolen. When authorizing such issuance of a new Membership Certificate(s), the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the registered owner of such destroyed, lost, or stolen certificate(s), or her or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give to the Corporation a bond in such an amount as the Board of Directors may require as indemnity against any claim that may be made against the Corporation, including any expense or liability on account of the alleged destruction, loss, or theft of any such Membership Certificate.

Section 3.9 Lien. The Corporation shall have a lien on the outstanding Memberships in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under any Occupancy Agreements.

Section 3.10 Transfer of Membership. Except as provided herein (and only in connection with the transfer of the Home and right to occupy the same), Membership shall not be transferable and, in any event, no transfer of Membership shall be made upon the books of the Corporation within ten (10) calendar days immediately preceding the annual meeting of the Members. In all transfers of Membership, the Corporation shall be entitled to a fee it deems appropriate to compensate it for the processing of the transfer; provided, however, that such fee shall not exceed One Hundred Dollars (\$100.00), as adjusted annually on January 1 to the Federal Reserve one-year T-Bill.

A. Option of Corporation to Purchase. If a Member desires to leave the Corporation, he or she shall notify the Corporation in writing of such intention and the Corporation shall have an option, but not the obligation, for a period of thirty (30) days following the giving of such notice, to purchase the Membership, together with all of the Member's rights with respect to occupancy of a Space within the Community, at an amount no greater than the "Transfer Value" provided hereinbelow, less any amounts due by the Member to the Corporation under the Occupancy Agreement, and less the cost or estimated cost of all deferred maintenance, repairs, and replacements as are deemed necessary by the Corporation to place the Space in suitable condition for another occupant. In the case of a Member who has notified the Corporation of his or her intention to vacate the Community, in the event the Corporation notifies the Member of the Corporation's exercise of its option to purchase the Membership within the thirty (30)-day option period, the transfer of the Membership to the Corporation shall be effective upon the termination of the departing Member's obligations to the Corporation under the terms of the Occupancy Agreement as specified in the last sentence of this Section 3.10(A). The purchase by the Corporation of the Membership will immediately terminate the Member's rights, and the Member shall forthwith vacate the premises. Notwithstanding the above, in the case of a departing Member, the Member's obligations to the Corporation under the terms of the Occupancy Agreement shall not terminate until a new Member is

approved for Membership by the Corporation and executes an Occupancy Agreement for the Space being vacated by the departing Member.

B. Procedure Where Corporation Does Not Exercise Option. If the Corporation waives in writing its rights to purchase the Membership under the foregoing option, or if the Corporation fails to exercise such option within the thirty (30)-day period, the Member may sell his or her Membership to any person who has been duly approved by the Corporation for Membership and occupancy for an amount no greater than that provided in Section 3.10(D) for Memberships purchased by the Corporation. When the transferee has been approved for Membership and has executed the prescribed Occupancy Agreement, the retiring Member shall be released of his or her obligations under his or her Occupancy Agreement, providing he or she has paid all amounts due the Corporation to date. The Member shall forthwith vacate the premises.

C. Death of a Member. Upon the death of a Member and during the probate administration of his or her estate, the voting rights and other rights of the deceased Member to participate in the affairs of the Corporation shall be suspended. The rights of any surviving Member or Resident shall not be suspended. Any other heir of the Member's estate who was not a Member or Resident as of the Member's date of death shall not succeed to any such rights of Membership.

If upon the death of a Member, his or her Membership in the Corporation passes by will or intestate distribution to a legatee or distributee, such legatee or distributee may, by assuming in writing the terms of the Occupancy Agreement between the Corporation and the deceased Member within thirty (30) days after the Member's death, and paying all amounts due thereafter, become a Member of the Corporation, provided the person meets all Membership requirements and the Board of Directors approves the legatee or distributee as a Member. If a Member dies and an obligation is not assumed in accordance with the foregoing, and/or the Board of Directors fails to approve the legatee or distributee as a Member, then the Corporation shall thereupon at its election either (1) repurchase said Membership at its Transfer Value (as defined below), or (2) proceed with reasonable diligence to effect a sale of the Membership to a purchase at a sales price acceptable to the Corporation.

Should the Membership pass to a trust for the benefit of a beneficiary, the beneficiary may become a Member of the Corporation in the same manner as a legatee or distributee.

D. Transfer Value. Whenever the Board of Directors elects to purchase a Membership, the term "**Transfer Value**" shall mean the sum of the following:

(1) The consideration paid for the Membership by the first owner of the Membership as shown on the books of the Corporation; plus

(2) The value, as determined by the Board, of any improvements installed at the expense of the Member with the prior approval of the Board; plus

(3) The accumulated interest, or an inflation allowance at a rate which is based on the Federal Reserve one year T-Bill rate as of January 1 of each year. Any increment pursuant to this subsection shall not exceed a ten percent (10%) annual increase on the consideration paid for the Membership by the first occupant of the Space involved.

In the event the one year T-Bill is not available or otherwise discontinued, the Board shall select such other reasonably similar index, taking into consideration the risk premium of such comparable index.

This Transfer Value shall hereinafter be referred to as "**Member Equity**."

E. Corporation Equity. If the actual equity (market value less encumbrances) of the Corporation (“**Actual Equity**”) exceeds the aggregate value of the Member Equities, the disparity in value between the Actual Equity and Member Equities, which shall be referred to hereafter as (“**Corporation Equity**”). With approval of the Board of Directors, the Corporation Equity may be used for the following purposes only:

- (1) For the benefit of the Corporation or the improvement of the Community’s real property;
- (2) For expansion of the Corporation by acquisition of additional real property; and
- (3) For public benefit or charitable purposes.

Under no circumstances may the Actual Equity be assigned to or become a component of Member Equity.

Upon sale of the property or dissolution of the Corporation, the Corporation Equity or other property owned by the Corporation must be paid out, or title to the property transferred, subject to outstanding encumbrances and liens and to the Transfer Value of the Membership interests, for use for a charitable purpose pursuant to Section 1.3 herein.

F. Transfer Only with Board Approval. A Membership may be sold or otherwise transferred by the Corporation or the Member only to a person approved by the Board of Directors. In no case shall the sales price of the Membership exceed the Transfer Value as provided in Section 3.10(D), except that the Corporation may charge an application fee to the new Member, which shall not be considered part of the purchase price, not in excess of two percent (2%) of the Transfer Value of the Membership. Where the transfer of a Membership is effected by a Member, a certificate in form approved by the Board as to the price paid shall be executed by the seller and purchaser and delivered to the Corporation.

G. Required Disclosures to New Members. A selling Member shall provide the following to prospective purchasers of the Membership:

1. A copy of the Corporation’s “**Governing Documents**,” including, but not limited to, the Corporation’s Articles of Incorporation, Bylaws, Declaration, and Occupancy Agreement;
2. A copy of the Corporation’s most recent financial statement;
3. A statement from an authorized representative of the Corporation as to the amount of the Corporation’s current Assessments and fees, the amount of any unpaid Assessments owed by the departing Member, and the amounts of any pending increases in Assessments;
4. A copy or a summary of any notice previously delivered to the selling Member by the Board that sets forth any alleged violation of the Governing Documents that remains unresolved at the time of delivery of the documents set forth in this Section 3.10(D);
5. A copy of the preliminary list of defects, if any, that has been delivered to

any builder, developer, or general contractor in an effort to commence an action for damages for defect in design or construction against such builder, developer, or general contractor. The preliminary list of defects must also include a statement that a final determination has not been made regarding whether the preliminary list of defects is accurate and complete; and

6. A schedule of any repairs which may be needed to the Home to ensure compliance with the Governing Documents (including, but not limited to, any repairs or improvements needed to ensure compliance with Title 25).

Section 3.11. Cause for Suspension or Termination of Membership and Tenancy of Space. The Corporation may suspend or terminate a Member's Membership and tenancy of a Space and repossess the Space for "Cause" (as defined below). For purposes of these Bylaws, "**Cause**" shall mean:

A. Noncompliance with State Law or other Regulation. Failure of the Member or other Resident to comply with a local ordinance or state law or regulation relating to Homes within a reasonable time after the Member or other Resident receives a notice of noncompliance from the appropriate governmental agency.

B. Substantial Annoyance. Conduct by the Member or Resident upon the Community premises which constitutes a substantial annoyance to other Members or Residents.

C. Conviction for Certain Offenses. Conviction of the Member or Resident of the Member's Home, for prostitution or a felony controlled substance offense if the act resulting in the conviction was committed anywhere on the premises of the Community, including, but not limited to, within the Member's Home; provided, however, the Membership may not be terminated for the reason specified in this subsection if the person convicted of the offense has permanently vacated and does not subsequently reoccupy the Home.

D. Noncompliance with Rule or Regulation of Community. Failure of the Member or Resident to comply with a reasonable rule or regulation of the Community which is part of the Occupancy Agreement or any amendment thereto or these Bylaws, including, without limitation:

(1) An attempt by the Member to transfer, assign, or sublet the Membership Certificate or his or her right of occupancy of the Space in a manner inconsistent with the provisions of these Bylaws or the Occupancy Agreement;

(2) Failure by the Member to make and/or pay for repairs and maintenance as provided for in the Occupancy Agreement; or

(3) Alterations of a Space or external alterations to a Home by the Member without the prior written consent of the Board of Directors.

No act or omission of the Member or Resident shall constitute a failure to comply with a reasonable rule or regulation in existence at the time unless and until the Corporation has given the Member written notice of the alleged rule or regulation violation and the Member or Resident has failed to adhere to the rule or regulation within seven (7) days. However, if a Member has been given a written notice of an alleged violation of the same rule or regulation on three (3) or more occasions within a twelve (12)-month period after the Member or Resident has violated that rule or regulation, no written notice shall be required for a subsequent violation of the same rule or regulation to be grounds for the

termination of Membership and tenancy. The third written notice of an alleged violation of a rule or regulation shall include the following statement:

“THIS IS YOUR THIRD NOTICE OF VIOLATION. IF YOU DO NOT CURE THIS VIOLATION WITHIN SEVEN (7) DAYS, OR IF YOU AGAIN VIOLATE THIS REGULATION, YOU WILL RECEIVE NO FURTHER WARNING, AND YOUR NEXT NOTICE WILL BE A TERMINATION NOTICE.”

E. Nonpayment of Assessments and Other Fees. Nonpayment of Assessments, utility charges (if any), or reasonable incidental service charges; provided that the amount due has been unpaid for a period of at least fifteen (15) days from its due date, and provided that the Member shall be given a fifteen (15)-day written notice subsequent to that fifteen (15)-day period to pay the amount due or to vacate the Community. For purposes of this Section 3.11(E), the fifteen (15)-day period does not include the date the payment is due. The fifteen (15)-day written notice shall be given to the Member in the manner prescribed by the Delinquent Assessment Collection Policy. *California Code of Civil Procedure § 1162.* A copy of this notice shall be sent to the legal owner, each junior lienholder, and the registered owner of the Home (if other than the Member) by certified or registered mail, return receipt requested, within ten (10) days after notice is delivered to the Member. If the Member cures the default, the notice need not be sent to those entities. The notice may be given at the same time as the sixty (60) days’ notice required for termination of the Membership and tenancy.

(1) Payment by the Member prior to the expiration of the fifteen (15)-day notice period shall cure a default under this Section 3.11(E). In the event the Member does not pay prior to the expiration of the fifteen (15)-day notice periods, the Member shall remain liable for all payments due up until the time the Membership and tenancy are terminated and a new Member has replaced the defaulting Member.

(2) If the Member’s home is a Manufactured Home which has a different legal owner or registered owner than the Member or a lienholder(s) (collectively, “**Additional Notice Parties**”), the Additional Notice Parties shall receive a copy of the notice provided for in Section 3.11(E) above. Payment by any of the Additional Notice Parties of the delinquent assessment amounts on behalf of the Member prior to the expiration of thirty (30) calendar days following the mailing of the notice to such parties, shall cure a default under this Section 3.11(E) with respect to that payment.

(3) Cure of a default of rent, utility charges, or reasonable incidental service charges by the legal owner, any junior lienholder, or the registered owner (if other than the Member), as provided by this Section 3.11(E), may not be exercised more than twice during a twelve (12)-month period.

(4) If a Member has been given a notice of nonpayment of assessments on three (3) or more occasions within the preceding twelve (12)-month period, no written fifteen (15)-day notice shall be required in the case of a subsequent nonpayment of Assessment, utility charges, or reasonable incidental service charges and the Corporation may immediately proceed with suspension or termination of Membership and occupancy as is provided for in Section 3.12 below.

F. Condemnation. Condemnation of the Community.

G. Change of Use. Change of use of the Community or any portion thereof, provided the requirements of *California Civil Code §§ 798.56(g) and (h)* are met.

H. Other Grounds set forth in MRL. Any other grounds permitted under the *Mobilehome Residency Law* at the time of termination. If the *Mobilehome Residency Law* is amended, adds additional

grounds for termination, or changes the procedure for termination, these Bylaws shall be deemed automatically amended to incorporate such changes; and the Corporation shall comply with the amended law instead of the requirements set forth herein. If the *Mobilehome Residency Law* is amended such that the Corporation is no longer subject to Articles 2 through 8 of such law, the Bylaws shall be deemed automatically amended to exclude the requirements of Articles 2 through 8 of the *Mobilehome Residency Law*, and the Corporation shall not be bound to comply with such requirements.

Section 3.12. Procedure for Suspension or Termination of Membership and Occupancy. If the grounds appear to exist for suspension or termination of a Membership and the Member's occupancy of a Space under Section 3.11 above or pursuant to the Occupancy Agreement, the procedure set forth below shall be followed and a copy of such procedure shall be sent at least annually to each Member.

A. Written Notice. The Member shall be given written notice in the manner prescribed by the Delinquent Assessment Collection Policy of the proposed suspension or termination of the Membership and occupancy of the Space and the reasons therefor, with an effective date of suspension or an estimated effective date of the termination which shall be at least thirty (30) days following the date of delivery of the notice to the Member. The estimated effective date of a termination of a Membership will be dependent upon the judicial foreclosure proceeding and the final date of such termination will depend upon the resolution of the judicial process.

B. Promptly Held Hearing. The Member being suspended or terminated shall be given an opportunity to be heard, either orally or in writing, at a hearing to be held promptly but not fewer than five (5) days before the effective date of the proposed suspension or termination. The Member must request such hearing within seven (7) days of receipt of the written notice of the proposed suspension or termination. If no hearing is requested, the Association may immediately proceed with the judicial foreclosure proceeding to terminate the Membership and occupancy.

C. Grievance Committee Available. If requested, the hearing will be held by a five (5)-person "**Grievance Committee**" appointed by the Board of Directors, composed of two (2) members of the Board of Directors and three (3) impartial, disinterested persons who were not involved in the original decision to seek suspension or termination. The three (3) committee members who are not members of the Board may or may not be Members.

D. Decision Following Hearing. Following the hearing, the Grievance Committee shall decide whether or not the Membership and occupancy should be suspended or terminated as of the date specified in the notice of proposed suspension or termination, whether the Member should be sanctioned in some other way, or make other decisions as may be permitted by the Governing Documents. The decision of the Grievance Committee shall be final.

E. Judicial Foreclosure. Upon conclusion by the Grievance Committee to terminate the Membership, the Corporation shall proceed with a judicial foreclosure of the UCC-1 lien filed in connection with the issuance of the Membership (as is further provided for in Section 10.9). Upon completion of the foreclosure on the Membership, the Member's Membership and occupancy of the Space shall be terminated. Failure of the Member to timely vacate the Space or otherwise act in accordance with Section 3.12(F) below, shall deem the Member a hold over tenant and may subject the tenant to further court proceedings such as an unlawful detainer action.

F. Sixty-Day Notice of Termination. If the Corporation seeks termination of a Member's Membership and occupancy and once such Member's termination becomes effective, the Corporation shall give written notice to the Member in the manner prescribed by the *California Code of Civil Procedure* § 1162 to remove the Home from the Community or to sell the Home to a new Member or to

the Corporation, or that they may remain in the Community as a Tenant (as defined in the Declaration), within a period of not less than sixty (60) days, which period shall be specified in the notice. A copy of this notice shall be sent to the legal owner, each junior lienholder, and the registered owner of the Home (if other than the Member) as specified by *California Civil Code Section 798.55*, by certified or registered mail return receipt requested, within ten (10) days after notice is sent to the Member. If the Corporation elects to allow the Member to remain in the Community as a Tenant, the Member's rent as a Tenant shall be based upon the amount of Assessments previously paid by the Member.

Section 3.13. Payment Due Terminated Member. In the event the Corporation has, pursuant to Sections 3.11 and 3.12 of this Article, terminated a Membership and the rights of a Member under the Occupancy Agreement, the Member shall be required to deliver promptly to the Corporation his or her Membership Certificate and Occupancy Agreement, both endorsed in such manner as may be required by the Corporation. The Corporation shall thereupon at its election either (1) repurchase said Membership at its Transfer Value subject to the reductions provided below, or (2) proceed with reasonable diligence to effect a sale of the Membership to a purchaser at a sales price acceptable to the Corporation. The retiring Member shall be entitled to receive the Transfer Value or the purchase price, less all of the following amounts (the determination of such amounts by the Corporation to be conclusive):

A. Amounts due the Corporation from Member. Any amounts due to the Corporation from the Member under the Occupancy Agreement or otherwise.

B. Cost of Deferred Maintenance, Repairs and Replacements. The cost or estimated cost of all deferred maintenance, repairs, and replacements as are deemed necessary by the Corporation to place the Space in suitable condition for another occupant.

C. Legal and Other Expenses Incurred by the Corporation. Legal and other expenses incurred by the Corporation in connection with the default of such Member and the resale of his or her Membership. In the event the retiring Member for any reason should fail for a period of ten (10) days after demand to deliver to the Corporation his or her endorsed Membership Certificate, said Membership Certificate shall forthwith be deemed to be cancelled and may be reissued by the Corporation to a new purchaser.

In the event that, following termination of a Membership for Cause, the Member fails to surrender possession of the Space (if required) and the Membership Certificate to the Corporation, the Corporation may institute legal actions, including unlawful detainer proceedings, to obtain possession of the Space and the Membership Certificate, and to cause the former Member's Home to be removed from the Community, placed in storage, or stored in the Community. In so doing, the Corporation shall comply with applicable provisions of the Mobilehome Residency Law. Any notice provided pursuant to Sections 3.11 and 3.12 of this Article shall constitute notice as required by the Mobilehome Residency law and other California law governing unlawful detainer actions.

Section 3.14. Improvements to Spaces and Member's Homes. A Member shall make improvements to Spaces and external improvements to his or her Home only with the written approval of the Board or the "**Architectural Committee**" appointed by the Board; provided, however, the scope of review of the Board or Architectural Committee shall be limited to Title 25 compliance, and in no event shall the Board or Architectural Committee have the authority to review elements of aesthetics. Unless expressly approved otherwise by the Board or Architectural Committee, any improvement made to a Space or to a Home by a Member shall be deemed to be an improvement to the Home occupying the Space for purposes of calculating Transfer Value pursuant to Section 3.10(D).

Section 3.15. Classes of Membership. The Corporation has one (1) class of voting Membership.

Section 3.16 Memberships Associated with Annexed Property. Notwithstanding anything in this Article III to the contrary, any Memberships associated with any additional property which may be annexed into, and made a part of the Community, and determinations for eligibility and/or admission by the Corporation or the Board under this Article III, shall be made by the Board of Directors of the Corporation, in its sole and absolute discretion.

ARTICLE 4. MEETINGS OF MEMBERS

Section 4.1 Place of Meetings. Meetings of the Membership shall be held at the Principal Executive Office of the Corporation or at such other suitable place convenient to the Membership as may be designated by the Board of Directors.

Section 4.2 Annual Meetings. The annual meetings of the Corporation shall be held on the date set by the Board of Directors. At the annual meeting there shall be elected a Board of Directors by written ballot of the Members in accordance with the requirements of Section 4.12 and Section 5.7 of these Bylaws. The Members may also transact such other business of the Corporation as may properly come before them.

Section 4.3 Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by five percent (5%) of the Members having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5) of the Members present.

Within twenty (20) days after receipt of a resolution or request demanding a special meeting, the Secretary shall give written notice thereof to all of the Members as herein provided, which shall specify the date, time, and place of the meeting and the matters to be considered at such meeting. Except in cases of emergency, the meeting shall be set for a date not fewer than thirty-five (35) days nor more than ninety (90) days after the receipt of the request.

Section 4.4 Notice of Meetings.

A. It shall be the duty of the Secretary to deliver a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where it is to be held, to each Member of record, at his or her address as it appears on the membership book of the Corporation, or if no such address appears, at his or her last known place of address, not less than ten (10) but not more than ninety (90) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the Member at his or her Home or last known address; provided, however, that in the case of each annual meeting and special meeting, notice must be given by U.S. First Class Mail, postage prepaid. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or (ii) in the case of the annual meeting and general membership meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members.

B. Notice of Certain Agenda Items. If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s):

- (1) Removing a Director without cause;
- (2) Filling vacancies on the Board of Directors by the Members;
- (3) Amending the Governing Documents, including the Corporation's Articles of Incorporation, Bylaws, or Occupancy Agreement;
- (4) Approving a contract or transaction in which a Director has a material financial interest;
- (5) Electing to wind up and dissolve the Corporation;
- (6) Electing to sell the Community to any party other than the Members;
- (7) Electing to close the Community; or
- (8) Approving a plan of distribution of assets, other than cash, in liquidation.

Section 4.5 Electronic Meetings. A meeting of the Members may be conducted, in whole or in part, by electronic transmission by and to the Corporation or by electronic video screen communication (1) if the Corporation implements reasonable measures to provide Members in person (or, if proxies are allowed, by proxy) a reasonable opportunity to participate in the meeting and to vote on matters submitted to the Members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and (2) if any Member votes or takes other action at the meeting by means of electronic transmission to the Corporation or electronic video screen communication, a record of that vote or action is maintained by the Corporation.

For the purposes of this Section 4.5, “**Electronic transmission by the Corporation**” means a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the Corporation, (2) posting on an electronic message board or network which the Corporation has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof, or (3) other means of electronic communication, (b) to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications under or pursuant to California Corporations Code Section 20, and (c) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

Any request by the Corporation to a Member pursuant to clause (b) in the above paragraph for consent to conduct a meeting of Members by electronic transmission by and to the Corporation, shall include a notice that, absent consent of the Member pursuant to clause (b) in the above paragraph, the meeting shall be held at a physical location in accordance with clause (a) in the above paragraph.

Section 4.6 Quorum. The presence, either in person or participating by written ballot pursuant to Section 4.12 below, of one-third (1/3) of the total voting power of the Corporation shall be requisite for, and shall constitute a quorum for, the transaction of business at all meetings of Members; provided, however, that this Section 4.6 shall be inapplicable to the extent that it is inconsistent with Section 4.7 below. In the absence of a quorum at the Corporation meetings, a majority of those present in Person or by proxy may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of quorum shall be to a date not less than five (5) but not more than thirty (30) days from the original date and the quorum for such later meeting shall be thirty percent (30%) of the total

voting power of the Corporation in person or by proxy. If a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the same manner prescribed for regular meetings.

Section 4.7 Quorum Required to Sell the Community, Close the Community or Dissolve the Corporation. The presence, either in person or participating by written ballot pursuant to Section 4.12 below, of ninety percent (90%) of the total voting power of the Corporation shall be requisite for, and shall constitute a quorum for, the following business matters:

- A. Approval of the sale of the Community;
- B. Closure of the Community; or
- C. Dissolution of the Corporation

In addition to the ninety percent (90%) quorum requirement under Section 4.7, the total vote of the membership must be ninety percent (90%) to execute any item (A) approval of the sale of the Community; (B) closure of the Community and/or (C) dissolution of the Community.

In the absence of a quorum at any Corporation meetings called for any of the aforementioned purposes, a majority of those present in Person or by proxy may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of quorum shall be to a date not less than five (5) but not more than thirty (30) days from the original date and the quorum for such later meeting shall be ninety percent (90%) of the total voting power of the Corporation in person or by proxy. If a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the same manner prescribed for regular meetings.

Section 4.8 Loss of Quorum. The Members present at a duly called and held meeting at which a quorum is initially present may continue to do business notwithstanding the loss of a quorum at the meeting due to a withdrawal of Members from the meeting; provided, however, that any action taken (other than adjournment) after the loss of quorum must be approved by at least a majority of the Members required to constitute a quorum or, if required by *California Corporations Code Section 7512*, by the Articles of Incorporation, or these Bylaws, the vote of the greater number.

Section 4.9 Adjournment of Meetings. When a meeting is adjourned for lack of a sufficient number of Members at the adjourned meeting, notice need not be given of the adjourned meeting if the time and place thereof (or the means of electronic transmission by and to the Corporation or electronic video screen communication, if any, by which Members may participate) are announced at the meeting at which the adjournment is taken. No meeting may be adjourned for more than forty-five (45) days. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If after the adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each Member who, on the record date for notice of the meeting, is entitled to vote at the meeting.

Section 4.10 If Less Than One-Third of the Voting Power is Required to Constitute a Quorum and Less Than One-Third Actually Attends a Regular Meeting. Notwithstanding any other provision of this Article IV, if any other provision in these Bylaws or the Declaration authorizes Members to conduct a meeting with a quorum of less than one-third (1/3) of the voting power, and less than one-third (1/3) of the voting power actually attends a regular meeting, in person or by proxy, then no action may be taken on a matter unless the general nature of the matter was stated in the notice of the regular meeting.

Section 4.11 Voting. If a Member stands of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two or more persons have the same fiduciary relationship respecting the same Membership, unless the Secretary of the Corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

- A. If only one votes, such act binds all; or
- B. If more than one votes, the act of the majority so voting binds all.

Section 4.12 Proxy Voting.

A. Right of Members. Each Member entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy, signed by the Member and filed with the Secretary of the Corporation. A proxy shall be deemed signed if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, e-mail, fax, or otherwise) by the Member or the Member's attorney-in-fact.

B. Form of Solicited Proxies. If the Corporation has one hundred (100) or more Members, any form of proxy distributed to ten (10) or more Members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of related matters and shall provide, subject to reasonable specified conditions, that when the person solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance with that specification. In any election of Directors, any form of proxy that a Member marks "withhold" or marks otherwise in a manner indicating that the authority to vote for the election of Directors is withheld, shall not be voted either for or against the election of a Director.

C. Requirement that General Nature of Subject of Proxy be Stated. Any revocable proxy covering matters for which a vote of the Members is required shall not be valid unless the proxy sets forth the general nature of the matter to be voted on, including (i) amendments to the Articles of Incorporation; (ii) amendments to the Bylaws changing proxy rights; (iii) removal of Directors without cause; (iv) filling vacancies on the Board of Directors; (v) the sale, lease, exchange, conveyance, transfer, or other disposition of all or substantially all of the Corporation's assets unless the transaction is in the usual and regular course of the Corporation's activities; (vi) the principal terms of a merger or the amendment of a merger agreement; (vii) the election to dissolve the Corporation; (viii) contracts or transactions between the Corporation and one or more Directors or between the Corporation and an entity in which the Director has a material financial interest; or (ix) a plan of distribution of assets other than money to Members when the Corporation is in the process of winding up and the distribution is not valid in accordance with liquidation rights of any class or classes.

D. Revocability. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect until (1) revoked by the Member executing it before the vote is case under that proxy (a) by a writing delivered to the Corporation stating that the proxy is revoked, (b) by a subsequent proxy executed by that Member and presented at the meeting, or (c) as to any meeting by Member's personal attendance and voting at the meeting or (2) written notice of the death or incapacity of the maker of the proxy is received by the Corporation before the vote under the proxy is counted; provided, however, that no proxy shall be valid after expiration of six (6) months from the date of the proxy, unless otherwise provided in the proxy except that the maximum term of a proxy shall be one (1)

year from the date of execution. The revocability of a proxy that states on its face that it is irrevocable shall be governed by *California Corporations Code* § 7613.

Section 4.13 Members Assent Required. Unless otherwise provided in the Declaration or these Bylaws, all matters at any Member's meeting shall be determined by the vote of one-third (1/3) of the Members present, in person or by proxy, constituting a quorum.

Section 4.14 Action by Written Ballot Without a Meeting. Any action which may be taken at any regular or special meeting of Members may be taken without a meeting if the Corporation distributes a written ballot to every Member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of each proposal, provide that where the person solicited specifies a choice with respect to any such proposal the vote shall be cast in accordance therewith, and provide a reasonable time within which to return the ballot to the Corporation. Ballots shall be mailed or delivered in the manner required for giving notice in Section 4.4(A) above.

All written ballots shall also indicate the number of responses needed to meet the quorum requirement and, except for ballots soliciting votes for the election of Directors, shall state the percentage of approvals necessary to pass the measure submitted. The ballots must specify the time by which they must be received by the Corporation in order to be counted.

Approval of action by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

A written ballot may not be revoked after its receipt by the Corporation or its deposit in the mail, whichever occurs first.

Section 4.15 Conduct of Meetings. Meetings shall be governed by Roberts' Rules of Order, as such rules may be revised from time to time, insofar as such rules are not inconsistent with or in conflict with these Bylaws, with the Articles of Incorporation or any other Governing Documents, or with any provision of law.

Section 4.16 Inspectors of Election. In advance of any meeting of Members, the Board may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the Chairman of any such meeting of Member may, and on the request of any Member, shall appoint inspectors of election (or persons to replace those who fail or refuse to become inspectors of election for any reason) at the meeting. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting on the request of one or more Members, the majority of Members represented in person shall determine whether one (1) or three (3) inspectors are to be appointed. In the case of any action by written ballot, the Board may similarly appoint inspectors of election to act with powers and duties as set forth in this Section 4.16. The inspector of elections shall determine the number of Memberships outstanding and the voting power of each, the number represented at the meeting, and the existence of a quorum; receive votes, ballots, or consents; hear and determine all challenges and questions in any way arising in connection with the right to vote; count and tabulate all votes or consents; determine when the polls shall close; determine the results; and do such acts as may be proper to conduct the election or vote with fairness to all Members. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act, or

certificate of a majority is effective in all respects as the decision, act, or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 4.17 Waiver of Notice or Consent by Absent Members.

A. Written Waiver or Consent. The transactions of any meeting of Members, however called or noticed, and wherever held, shall be valid as though taken at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each person entitled to vote, who was not present, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes. All such waivers, consents, or approvals shall be filed with the Corporation records or made a part of the minutes of the meeting.

B. Eligibility to Vote in Annual Election of Directors. Notwithstanding any contrary provision of this Section 4.17, the provisions of Section 4.18 shall apply in determining eligibility to vote in the annual election of the Board of Directors and the procedures set forth in of Section 5.5 shall apply to determining the process of the annual election of the Board of Directors.

C. Waiver by Attendance. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of such meeting to the transaction of any business due to the inadequacy or illegality of the notice. Also, attendance at a meeting is not a waiver of any rights to object to the consideration of matters not included in the notice of the meeting, if that objection is expressly made at the meeting.

Section 4.18 Record Date for Member Notice, Voting, and Giving Consents.

A. To Be Determined by Board of Directors. For the purposes of determining which Members are entitled to receive notice of any meeting, the Board of Directors may fix, in advance, a “**record date**,” which shall not be for more than ninety (90) nor fewer than ten (10) days before the date of any such meeting. The Board of Directors shall also fix, in advance, a date as the record date for the purpose of determining the Members entitled to vote at a meeting of Members or to exercise any rights in respect of any other lawful action. Such record date shall not be more than sixty (60) days prior to the date of any such meeting or such other action as specified above. Only Members of record and in good standing (as defined in Section 5.1 below) on the date so fixed are entitled to vote, or to give consents, as the case may be, notwithstanding any transfer of any Membership on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Corporation Law.

B. Failure of Board of Directors to Determine Date.

(1) Record Date for Notices or Voting. Unless fixed by the Board of Directors, the record date for determining those Members entitled to receive notice of, or to vote at, a meeting of Members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(2) Record Date for Written Consent to Action Without Meeting. Unless fixed by the Board of Directors, the record date for determining those Members entitled to vote by ballot on corporate action without a meeting, when no prior action by the Board of Directors has been taken, shall be the day on which the first written consent is given. When prior action of the Board of Directors has been taken, it shall be the day on which the Board of Directors adopts the resolution relating to that action.

(3) “Record Date” Means As of Close of Business. For purposes of this Section 4.18, a person holding Membership as of the close of business on the record date shall be deemed the Member of record.

Section 4.19 Suspension; Penalty for Violations. The Board of Directors shall have the right to suspend or terminate any Member’s Membership provided that such suspension or termination is done in good faith and in a fair and reasonable manner and is consistent with *California Corporations Code Section 7341*. The Board of Directors shall follow that process for suspension or any other remedy sought against a Member as is outlined in the Policies and Procedures for the Enforcement of the Governing Documents of the Corporation.

Section 4.20 Order of Business. The order of business at the annual meeting of the Members shall be as follows:

- A. Pledge of Allegiance.
- B. Roll Call of Board of Directors.
- C. Roll Call of Members.
- D. Proof of notice of meeting or waiver of notice.
- E. Presentation of Agenda.
- F. Reading of minutes of preceding meeting and approval of said minutes.
- G. Reports of Officers.
- H. Reports of Committees.
- I. Election of Inspectors of Election.
- J. Election of Directors.
- K. Unfinished Business.
- L. New Business.

In the case of special meetings, items A through D shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the meeting.

Section 4.21 Inspectors of Election. In advance of any meeting of Members, the Board may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the Chairman of any such meeting of Member may, and on the request of any Member, shall appoint inspectors of election (or persons to replace those who fail or refuse to become inspectors of election for any reason) at the meeting. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting on the request of one or more Members, the majority of Members represented in person shall determine whether one (1) or three (3) inspectors are to be appointed. In the case of any action by written ballot, the Board may similarly appoint inspectors of election to act with powers and duties as set forth in this Section 4.21. The inspector of elections shall determine the number of Memberships outstanding and the voting power

of each, the number represented at the meeting, and the existence of a quorum; receive votes, ballots, or consents; hear and determine all challenges and questions in any way arising in connection with the right to vote; count and tabulate all votes or consents; determine when the polls shall close; determine the results; and do such acts as may be proper to conduct the election or vote with fairness to all Members. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act, or certificate of a majority is effective in all respects as the decision, act, or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE 5. DIRECTORS

Section 5.1 Number and Qualification. The Corporation shall be governed by five (5) members of the Board of Directors. The initial Directors were duly elected at the first (organizational) meeting of Members. All of the members of the Board must be Members of the Corporation in good standing. To be in “**good standing**,” a Member must be in compliance with these Bylaws, Community Rules and Regulations, the Occupancy Agreement, the Declaration, and other applicable Governing Documents, ordinances, and statutes. No Member household may hold more than one membership on the Board, nor shall more than one (1) person in a household serve as a Director at any given time; provided, however, that this rule shall not apply to Initial Directors.

Section 5.2 Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things as are not by law or by these Bylaws to be directed or done by the Members. The powers of the Board of Directors shall include, but not be limited to:

A. Consideration of Membership Application. Accepting or rejecting all applications for Membership and admission to occupancy of a Space in the Community, either directly or through an authorized representative.

B. Establish Assessments and Budget. Establishing Assessments as provided for in the Occupancy Agreement, based on an operating budget formally adopted by the Board; such budget to provide for all costs, including maintenance, insurance, taxes, interest and principal payments, plus a reasonable amount for contingencies and capital reserve set aside.

C. Establish Rules and Regulations. Adopting and amending Community Rules and Regulations, including provisions of the Occupancy Agreement, in compliance with applicable law.

D. Borrow Money and Incur Indebtedness. Borrowing money and incurring indebtedness for the purposes of the Corporation and to cause to be executed and delivered therefor, in the Corporation’s name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor.

E. Conduct Disciplinary Proceedings. Initiating and executing disciplinary proceedings against Members of the Corporation for violations of provisions of the Governing Documents in accordance with procedures set forth in the Governing Documents.

F. Enforce Governing Documents. Enforcing applicable provisions of the Articles, Bylaws, Occupancy Agreement, Declaration, and other Governing Documents relating to the ownership, management, and control of the Corporation.

G. Pay Taxes and Assessments. Paying taxes and assessments which are, or could become, a lien on the common area or a portion thereof.

H. Contract for Insurance. Contracting for casualty, liability, directors and officers (D&O), and other insurance on behalf of the Corporation. The Board of Directors shall contract for general liability insurance on behalf of the Corporation, the minimum amount of which must comply with the requirements of *California Civil Code Section 5805 (formerly California Civil Code Section 1365.9)*.

I. Contract for Certain Goods and Services. Contracting for goods and/or services for the common areas, facilities, and interests for the Corporation subject to the limitations set forth below.

J. Delegate Powers. Delegating its powers to committees, officers, or employees of the Corporation as expressly authorized by these Bylaws.

K. Prepare Budgets and Financial Statements. Preparing budgets and financial statements for the Corporation as prescribed in the Governing Documents.

L. Enter Spaces for Certain Reasons. Entering upon any Space or Home as necessary in connection with construction, maintenance, or emergency repair for the benefit of the Corporation, subject to the requirements of the Occupancy Agreement and applicable law.

M. Elect Officers. Electing officers of the Board.

N. Terminate Membership/Occupancy. Terminating Membership and occupancy rights for cause;

O. Select/Remove Certain Agents of the Corporation. Selecting and removing any of the officers, agents, and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with the law, and the Governing Documents; fixing their compensation and requiring from them security for faithful services.

P. Exercise all other Powers. Exercising all other powers and duties set forth in the Governing Documents.

Q. Invest Assets. Invest assets of the Corporation held for investment in accordance with the provisions of *California Corporations Code § 5240*.

Section 5.3 Prohibitions and Liability of the Board. The Board shall be prohibited from and shall be jointly and severally liable to the Corporation for:

A. Making any distribution;

B. Distributing assets after institution of dissolution proceedings of the Corporation, without paying or adequately providing for all known liabilities of the Corporation, excluding any claims set forth in *California Corporations Code § 5237(a)(2)*; or

C. Making any loan or guaranty contrary to Section 5.12 below.

A Director who is present at a meeting of the Board, or any committee thereof, at which any action specified in this Section 5.3 is taken and who abstains from voting shall be deemed to have approved such action.

Section 5.4 Prohibitions and Liability of Officers, Directors, Employees, or Agents. Any Officer, Director, employee or agent of the Corporation shall be prohibited from and shall be jointly and severally liable to the Corporation for any and all of the following:

A. Materially False Representations. Making, issuing, delivering, or publishing any report, circular, certificate, financial statement, balance sheet, public notice, or document respecting the Corporation or its Memberships, assets, liabilities, business, earnings, or accounts which is false in any material respect, knowing it to be false, or participate in the making, issuance, delivery, or publication thereof with knowledge that the same is false in a material respect.

B. False Entries in Books and Records. Making or causing to be made in the books, minutes, records, or accounts of the Corporation any entry which is false in any particular knowing such entry is false.

C. Deceitful Omissions in Books and Records. Removing, erasing, altering, or canceling any entry in any books or records of the Corporation, with intent to deceive.

Section 5.5 Prohibitions. The Board shall be prohibited from taking any of the following actions, except with the assent, by vote at a meeting of the Corporation or by written ballot without a meeting pursuant to *California Corporations Code § 7513*, of a simple majority of the Members constituting a quorum consisting of more than fifty percent (50%) of the voting power of the Corporation residing in Members:

A. Filling Vacancies Created by Vote of Membership. Filling a vacancy on the Board created by the removal of a Member of the Board by a vote of the Membership.

B. Entering Contracts Longer than One Year with Certain Exceptions. Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Corporation for a term longer than one (1) year or, notwithstanding the term, where the amount to be paid to the vendor including, without limitation, amounts to be paid under contingent fee contracts, may reasonably be expected to exceed five percent (5%) of the budgeted gross expenses of the Corporation for the fiscal year in which the contract is signed, whichever is less, and the contract is other than for the maintenance, repair, replacement, or reconstruction of one (1) or more elements of the Common Area, with all of the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration (if either has jurisdiction over the Community) or by the Department of Real Estate, if at any time, the Department of Real Estate obtains jurisdiction over the sale of the Community pursuant to a public report;

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(3) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years' duration, provided that the policy permits short rate cancellation by the insured;

(4) Lease agreements for laundry room fixtures and equipment, if any are present in the Community, of not to exceed five (5) years' duration;

(5) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration;

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years' duration;

(7) A contract for a term not to exceed three (3) years that is terminable by the Corporation after no longer than one (1) year without cause, penalty, or other obligation upon ninety (90) days' written notice of termination to the other party; and

(8) Agreements for electronic communications services and equipment not to exceed five (5) years duration.

C. Incurring Excessive Expenditures for Capital Improvements. Incurring 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 Corporation for that fiscal year.

D. Selling Property of Certain Value. Selling during any fiscal year property of the Corporation having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year.

E. Paying Compensation to Directors or Officers. Paying compensation to members of the Board of Directors or to the officers of the Corporation for services performed in the conduct of the Corporation's business provided; however, that the Board of Directors shall cause a Member or officer to be reimbursed for expenses incurred in carrying on the business of the Corporation.

The Board shall additionally be prohibited from taking any action expressly prohibited by the Declaration without the requisite consent of the Members, as provided therein.

Section 5.6 Self-Dealing Transactions. Except as provided below, the Board shall not approve a self-dealing transaction. A self-dealing transaction is one to which the Corporation is a party and in which one or more of the Members of the Board has a material financial interest and which does not meet the requirements of paragraphs (A), (B), or (C) below. Such a Director is an "**interested Director**" as further defined in Section 5.13 below. For purpose of this Section 5.6, a transaction shall not be considered a self-dealing transaction if:

A. Attorney General Approval. The Attorney General, or the court in an action in which the Attorney General is an indispensable party, has approved the transaction before or after it was consummated; or

B. Disclosure of Material Facts and Authorization by Disinterested Directors. The following facts are established:

(1) The Corporation entered into the transaction for its own benefit;

(2) The transaction was fair and reasonable as to the Corporation at the time the Corporation entered into the transaction;

(3) Prior to consummating the transaction or any part thereof, the Board authorized or approved the transaction in good faith by a vote of a majority of the Directors then in office without counting the vote of the interested Director(s), and with knowledge of the material facts concerning the transaction and the Director's interest in the transaction; and

(4) Either (i) prior to authorizing or approving the transaction the Board considered and, in good faith, determined after reasonable investigation under the circumstances that the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) the Corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances; or

C. Committee Approval. The following facts are established:

(1) A committee of the Board or person authorized by the Board approved the transaction in a manner consistent with the standards set forth in Section 5.6(B) above;

(2) It was not reasonably practicable to obtain approval of the Board prior to entering into the transaction; and

(3) The Board, after determining in good faith that subparagraphs (1) and (2) above were satisfied, ratified the transaction at its next meeting by a vote of the majority of Directors then in office without counting the vote of the interested Director(s); or

D. Transaction Fixes Compensation of Director or Officer. Such transaction constitutes an action by the Board fixing the compensation of a Director as a Director or Officer of the Corporation; or

E. Public/Charitable Program. Such transaction is part of a public or charitable program of the Corporation, and

(1) Is approved or authorized by the Corporation in good faith and without unjustified favoritism and

(2) Results in a benefit to one or more Director(s) or their families because they are in the class of persons intended to be benefited by the public or charitable program; and

F. Unknowing Interested Director and Nominal Funds Committed. Such transaction is one of which the interested Director(s) has no knowledge and which does not exceed the lesser of one percent (1%) of the gross receipts of the Corporation for the preceding fiscal year or One Hundred Thousand Dollars (\$100,000).

G. Common Directorship/No Material Financial Interest by Common Director. The following facts are established:

(1) The Corporation entered into a contract or other transaction with a foreign or domestic corporation, firm, or Corporation of which one or more of its Director(s) is a director;

(2) The common Director(s) does not have a material financial interest in the foreign or domestic corporation, firm, or Corporation with which the Corporation entered into such contract or transaction;

(3) The Board, or a committee thereof, authorized, approved, or ratified the contract or transaction;

(4) The material facts as to the transaction and as to such Director's other directorship were fully disclosed or known to the Board or committee, and the Board or Committee authorized, approved, or ratified the contract or transaction in good faith by a vote sufficient without counting the vote of the common Director(s); or

(5) As to contracts or transactions not approved as provided in Section 5.5(G)(3) above, the contract or transaction is just and reasonable as to the Corporation at the time it is authorized, approved, or ratified.

Section 5.7 Election Process. The election, balloting and tabulation procedure set forth below, as may be amended from time to time, shall govern the election process of the Board.

A. Nominating Committee. Nominations for election to the Board of Directors shall be accepted and made by a committee appointed by the Board pursuant to this Section 5.7 ("**Nominating Committee**"). Notice to the Members of the annual meeting during which the election is to occur shall include the names of all those who are nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chair, who shall be a Member of the Board of Directors, and two (2) or more Members of the Corporation. The Nominating Committee shall be appointed by the Board of Directors not less than sixty (60) days prior to each annual meeting of the Members, to serve until the close of that annual meeting. The Nominating Committee shall (i) accept nominations from all Members who submit their name for candidacy, and (ii) any other Members whom the Nominating Committee shall, in its discretion, nominate. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall receive, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

B. First Election. The first election of the Board shall be conducted at the first meeting of the Corporation. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. All Members shall be entitled to cumulate their votes for one (1) or more candidates for the Board, if the candidate's name has been placed in nomination prior to voting, and if a Member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. Voting for Directors shall be by written ballot.

C. Elections Following the First Election at Annual Meetings of the Membership.

(1) After a quorum is established for conducting business at the annual meeting and the meeting is called to order by the President, each Member shall sign his or her name on the official ballot register. The President shall read the list of Members in good standing and said Member upon hearing his or her name shall approach the Secretary to receive his or her ballot and to sign the register acknowledging receipt of the ballot.

(2) After marking his or her ballot, the Member shall put his or her marked ballot in a ballot box designated to receive all the votes.

(3) Once the voting has been completed, all the ballots are to be removed and counted before the entire Membership as set forth below. The regular business of the annual meeting may continue during the voting process.

- (4) Upon completion of the voting, the following process shall be followed:
- (a) The Secretary shall remove the votes from the box;
 - (b) Another Member shall announce to the public the votes as drawn from the ballot box;
 - (c) Another Member shall write down the votes on a tally sheet with the names of the candidates;
 - (d) Another Member shall make sure that the marks on the ballots match the names announced, and noted on the tally sheet;
 - (e) Another Member will receive the ballot and will assure that they remain in a secure place.
 - (f) The Secretary shall be in charge of the votes and tally sheet.

(5) After the election, the ballots, the list of persons that received a vote, and the results on the tally sheet shall be deposited in an envelope and the signatures of the Members assisting with the election process shall be stamped on the front of the envelope.

(6) In case of a tie-vote during an election held at the annual meeting of Members, the balloting procedure outlined above shall be repeated.

D. Cumulative Voting. Every Member entitled to vote at any election of Directors may cumulate the Member's votes and give one (1) candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which the Member is entitled; provided, however, that the candidate's or candidates' name(s) have been placed in nomination prior to the voting and the Member has given notice at the meeting prior to the voting of the Member's intention to cumulate votes.

E. Results of Elections. The results of each election shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Corporation. Within fifteen (15) calendar days of the election, the Board shall publicize the results of the election in a communication directed to all Members.

Section 5.8 Term of Office. The term of office of the Directors shall be two (2) years. A majority of the Directors shall be elected in even numbered years and the remaining Directors in odd numbered years. Each Director, including a Director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified. No Director shall serve more than three (3) consecutive terms. A Director who is not in good standing shall be suspended, and may not exercise any rights as a member of the Board of Directors. In the event such Director does not cure such default and resume its good standing within thirty (30) days thereafter, that position shall be deemed vacant and shall thereafter be replaced in accordance with Section 5.9 below.

Section 5.9 Vacancies. Vacancies in the Board of Directors caused by any reason other than removal of a Director by a vote of the Membership shall be filled by vote of the majority of the remaining Directors or, if the number of Directors remaining in office is less than a quorum, by (i) the unanimous

written consent of the Directors then in office; (ii) the affirmative vote of a majority of the Directors then in office at a meeting held pursuant to notice or waiver of notice as set forth in this Article V; or (iii) a sole remaining Director. Each person so elected shall be a Director until a successor is elected by the Members at the next annual meeting to serve out the unexpired portion of the term.

Section 5.10 Removal and Resignation of Directors. At any regular or special meeting duly called, any Director may be removed by the affirmative vote of the majority of the entire regular Membership of record, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. The term of any Director who (i) has been declared of unsound mind by a final order of court (excluding, however, any determination that is later overturned or conditions which is legally determined to have been rehabilitated in accordance with applicable laws), (ii) convicted of a felony (excluding, however, any conviction which is later overturned or expunged), (iii) been found to have breached any duty under the Nonprofit Public Benefit Corporation law (commencing with *Section 5151 of the California Corporations Code*) by a final order or judgment of any court, (iv) who becomes more than thirty (30) days delinquent in payment of his or her Assessments, or (v) who fails to attend four (4) consecutive regular meetings of the Board of Directors shall be automatically terminated, and his or her successor shall be appointed as provided in Section 5.9 above.

Any Directors may be removed for fraudulent or dishonest acts, gross abuse of authority or discretion with reference to the Corporation, or the breach of any duty arising under Chapter 2, Article 3 of the Nonprofit Public Benefit Corporation Law (commencing with *Section 7231 of the California Corporations Code*). Such removal shall be effected by the Superior Court of the County of Orange, at the suit of a Director or twenty (20) Members, or the California Attorney General (“**Attorney General**”). The Corporation shall be made a party to such action. The California Attorney General, in addition to his or her power to file an action, may also intervene in such action and shall be given notice of any such action brought by any other party.

Any Director may resign at any given time by giving written notice to the other Directors of the Corporation. Any such resignation shall take effect at a time which must be specified in such notice, and unless specified therein, the acceptance of such resignation shall not be necessary to make it effective. Except upon notice to the Attorney General, no Director may resign if the Corporation would be left without a duly elected Director or Directors in charge of its affairs as a result of such resignation.

Section 5.11 Fees and Compensation. Directors shall serve without compensation, except that they shall be allowed reasonable advancement or reimbursement for expenses incurred in the performance of their regular duties as Directors. Directors may not be compensated for rendering services to the Corporation in any capacity other than Director unless such other compensation is reasonable and is allowable under the provisions of Section 5.5 of this Article.

Section 5.12 Loans. The Corporation shall not make any loan for money or property to or guarantee the obligation of any Director or Officer except under any of the following circumstances:

A. Attorney General Approval. The loan of money or property or the guarantee of the obligation of a Director or Officer was previously approved by the Attorney General.

B. Advance of Expenses Reasonably Incurred on behalf of Corporation. The Corporation advances money to a Director or Officer for expenses reasonably anticipated to be incurred in the performance of such Director or Officer, provided that, in the absence of such advance, such Director or Officer would be entitled to be reimbursed for such expenses by the Corporation.

C. Premiums on Life Insurance Policies. The Corporation pays premiums in whole or in part on a life insurance policy on the life of a Director or Officer so long as repayment to the Association of the amount paid by it is secured by the proceeds of the policy and its cash surrender value.

D. Loan to Officer for Principal Residence. The Corporation loans money to or for the benefit of an Officer in circumstances where the loan is necessary, in the judgment of the Board, to provide financing for the purchase of the principal residence of the Officer in order to secure the services or continued services of the Officer and the loan is secured by real property located in the State of California.

Section 5.13 Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An “**interested person**” is (1) any person currently being compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director as Director; or (2) any brother, sister, ancestor, descendant, spouse, brother-in law, sister-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provisions of this Section 5.13 shall not affect the validity or enforceability of any transaction entered into by the Corporation.

Section 5.14 Annual Meeting. A regular annual meeting of the Board of Directors shall be held within ten (10) days of the meeting at which Directors are elected, at such place as shall be fixed by the Directors, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present and providing that the date, time, and location of the meeting is announced at the annual meeting of Members. The purpose of the regular annual meeting of Directors shall be organization, the election of officers, and the transaction of other business. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of a regular annual meeting of the Board of Directors shall be available to the Members of the Corporation within thirty (30) days of the meeting.

Section 5.15 Regular Meetings. Meetings of the Board of Directors shall be held at its Principal Executive Office. At least three (3) such regular meetings shall be held during each fiscal year. Emergency meetings may be held within or not more than five (5) miles from the Principal Executive Office, as shall be determined by a majority of the Directors. Notice of regular meetings of the Board of Directors shall be posted at a prominent place or places within the Common Area, and by mail to any Member who requests notification of regular meetings of the Board of Directors at the address requested by the Member, at least four (4) days prior to the day named for such meeting and shall be communicated to each Director in person, by mail, or by telephone at least four (4) days prior to the day named for such meeting. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to hold the meeting. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of a regular annual meeting of the Board of Directors shall be available to the Members of the Corporation within thirty (30) days of the meeting.

Section 5.16 Special Meetings. A special meeting of the Board of Directors may be called by written notice signed by the President or by any two (2) members of the Board other than the President. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice of special meetings of the Board of Directors shall be posted at a prominent place or places within the common area and sent by first-class mail to any Member who requests notification of regular meetings of the Board of Directors at the address requested by the Member at least four (4) days prior to the day named for such meeting and shall be communicated to each Director in person, by mail, or by telephone at least four (4) days prior to the day named for such meeting. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to hold the meeting or

to any Director who attends the meeting without protesting, prior to such meeting or at its commencement, the lack of notice to such Director. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of a regular annual meeting of the Board of Directors shall be available to the Members of the Corporation within thirty (30) days of the meeting.

Section 5.17 Electronic Meetings. Members of the Board may participate in a meeting through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation, as defined in *Sections 20 and 21 of the California Corporations Code*. Participation in a meeting through use of conference telephone or electronic video screen communication pursuant to *Section 7211(a)(6) of the California Corporations Code* constitutes presence in person at that meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through use of electronic transmission by and to the Corporation, other than conference telephone and electronic video screen communication, pursuant to *Section 7211(a)(6) of the California Corporations Code*, constitutes presence in person at that meeting if both of the following apply:

D. Each member of the Board participating in the meeting can communicate with all of the other Directors concurrently, and

E. Each Director is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation.

Section 5.18 Open Meetings. Except as provided in Section 5.19 below, regular and special meetings of the Board shall be open to Members of the Corporation. However, Members who are not on the Board and any non-member may not participate in any deliberation or discussion unless expressly so authorized by the vote of the majority of a quorum of the Board.

Section 5.19 Executive Sessions. The Board may hold executive sessions to discuss issues related to personnel; matters relating to the formation of contracts with third parties, including loans; pending or threatened litigation; Member discipline; or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments. Any matter discussed in an executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire Membership of the Corporation.

Section 5.20 Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver by him or her of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 5.21 Quorum. At all meetings of the Board of Directors, a majority of the Directors in office shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. "Interested Directors" (as described in Section 5.13) may be counted in determining the presence of a quorum at a meeting of the Board which authorizes, approves, or ratifies a contract or transaction. Except as otherwise provided in these Bylaws, the Articles of Incorporation of this Corporation, or by law, no business shall be considered by the Board at any meeting at which a quorum, as hereinafter defined, is not present, and the only motion which the President of the Board shall entertain at such meeting is a motion to adjourn.

The Directors present at a duly called and held meeting at which a quorum is initially present may continue to do business notwithstanding the loss of a quorum at the meeting due to a withdrawal of Directors from the meeting, provided that any action thereafter taken must be approved by at least a majority of the required quorum for such meeting or such greater percentage as may be required by law, or the Articles of Incorporation or Bylaws of the Corporation.

Section 5.22 Action Without 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, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. For purposes of this Section 5.22 only, "all members of the Board" does not include an "interested Director" as defined in *California Corporations Code § 7233*.

Section 5.23 Meetings with Members. As required by the Governing Documents and applicable law, the Board of Directors shall meet and consult with Members, upon written request, within thirty (30) days of the request, either individually, collectively, or with representatives of a group of Members who have signed a request to be so represented on the following matters:

- D. Amendments to Community Rules and Regulations.
- E. Standards for maintenance of physical improvements in the Community.
- F. Addition, alteration, or deletion of service, equipment, or physical improvements in the Community.
- G. Rental agreements offered pursuant to *California Civil Code § 798.17*.

Section 5.24 Adjournment of Meetings. A majority of the Directors present may adjourn any meeting to another time and place regardless of whether a quorum is present. If the meeting is adjourned for more than twenty-four (24) hours, notice of an adjournment to another time and place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

ARTICLE 6. COMMITTEES

Section 6.1 Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the Directors then in office, provided that a quorum is present, designate one or more committees, each consisting of two (2) or more Directors and, in the Board's discretion, other Members, to serve at the pleasure of the Board. Any committee, to the extent provided in the resolution of the Board, shall have all authority of the Board, except that no committee, regardless of Board resolution, may:

- D. Take any final action on matters which, under these Bylaws or the California Nonprofit Corporation Law, also requires Members' approval;
- E. Fill vacancies on the Board of Directors or in any committee that has the authority of the Board of Directors;
- F. Amend or repeal Bylaws or adopt new Bylaws;
- G. Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

H. Appoint any other committees of the Board of Directors or the members of these committees;

I. Expend Corporation funds which have not been previously budgeted or authorized by the Board;

J. Approve any transaction (i) to which the Corporation is a party and one (1) or more Directors have a material financial interest; or (ii) between the Corporation and one (1) or more of its Directors or between the Corporation or any person in which one or more of its Directors have a material financial interest; or

K. Fix compensation of the Directors for serving on the Board of Directors or any committee.

Section 6.2 Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article V of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of any committee. Minutes shall be kept of each meeting of any committee and shall be filed with the Corporation records. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE 7. OFFICERS

Section 7.1 Designation. The principal officers of the Corporation shall be a President, a Vice President, a Secretary, and a Treasurer (“**Officers**”), all of whom shall be elected by and from the Board of Directors. The Directors may appoint an assistant treasurer and an assistant secretary, and such other officers as in their judgment may be necessary. The offices of Treasurer and Secretary may be filled by the same person.

Section 7.2 Election of Officers. The Officers of the Corporation shall be elected annually by the Board of Directors at the annual meeting of each new Board and shall hold office at the pleasure of the Board. Such officers may be elected amongst the Board members of the Corporation.

Section 7.3 Removal of Officers. Upon an affirmative vote of a majority of the Members of the Board of Directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 7.4 President. The President shall be the chief executive officer of the Corporation. He or she shall preside at all meetings of the Members and of the Board of Directors. He or she shall have all of the general powers and duties which are usually vested in the office of president of a Corporation.

Section 7.5 Vice President. The Vice President shall take the place of the President and perform his or her duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on

an interim basis. The Vice President shall also perform other such duties as shall from time to time be imposed upon her or him by the Board of Directors.

Section 7.6 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Corporation; he or she shall have the custody of the seal of the Corporation; he or she shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct; and he or she shall, in general, perform all the duties incident to the office of Secretary.

Section 7.7 Treasurer. The Treasurer shall have the responsibility for Corporation funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He or she shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

Section 7.8 Resignation of Officers. Any Officer may resign at any time by giving written notice to the Board of Directors. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.9 Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled only in the manner prescribed in these Bylaws for regular appointments to that office.

ARTICLE 8. RECORDS AND REPORTS

Section 8.1 Inspection Rights. Any Member of the Corporation may:

A. Inspect and Copy Certain Records. Inspect and copy the records of all the Members' names, addresses and voting rights, at reasonable times, upon five (5) business days' prior written demand upon the Corporation, which demand shall state the purpose for which the inspection rights are requested; or

B. Obtain Membership List for Certain Reasons. Obtain from the Secretary of the Corporation, upon written demand and tender of a reasonable charge, a list of the names, addresses, and voting rights of those Members entitled to vote for the election of Directors, as of the most recent record date for which that list has been compiled, or as of a date specified by the Member subsequent to the date of demand. The Membership list shall be made available on or before the later of ten (10) days after the demand is received or after the date specified in the demand letter as the date on which the list is to be compiled.

C. Alternative Methods of Obtaining Requested Information. The Corporation may, within ten (10) business days after receiving a demand under subsections (A) or (B) above, deliver to the person or persons making the demand a written offer of an alternative method of achieving the purpose identified in said demand without providing access to or a copy of the membership list. An alternative which reasonably and in a timely manner accomplishes the proper purpose set forth in a demand under subsections (A) or (B) above shall be deemed a reasonable alternative, unless within a reasonable time after acceptance of the offer the Corporation fails to do those things which it offered to do. Any rejection of the offer shall be in writing and shall indicate the reasons the alternative proposed by the Corporation does not meet the proper purpose of the demand made pursuant to this Section 8.1(A) and (B).

Any inspection and copying under this Section 8.1 may be made in person or by an agent or attorney of the Member and the right of inspection includes the right to copy and make extracts.

The individual files of Members and/or employees of the Corporation shall be reviewed by Members of the Board of Directors only after a majority vote of the Board of Directors.

Corporation business and/or personnel files of individual Members and/or employees may be reviewed by the members of the Board of Directors solely at a duly called Board meeting, after an appropriate motion and majority vote of the Board in favor of such a review of the individual Member's and/or employee's file. Said individual Member and/or employee file may be viewed solely in furtherance of purposes of the Corporation. The review of any individual files shall be recorded in the minutes of the meeting.

Section 8.2 Maintenance and Inspection of Articles of Incorporation and Bylaws. The Corporation shall keep at its Principal Executive Office the original or a copy of the Articles and Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 8.3 Maintenance and Inspection of Results from Meetings. The Corporation shall, for at least sixty (60) days following the conclusion of any annual, regular, or special meeting of Members, upon written request from any Member, inform the Member of the result of any particular vote of Members taken at the meeting, including the number of Memberships voting against, and the number of Membership abstaining or withheld from voting. If the matter voted on was the election of Directors, the Corporation shall report the number of Memberships, or votes if voted cumulatively, cast for each nominee for Director.

Section 8.4 Maintenance and Inspection of Other Corporate Records. The accounting books, records, and minutes of proceedings of the Members and the Board of Directors and any committee(s) of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the Principal Executive Office of the Corporation. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed, or printed form. The minutes and accounting books and records shall be open to inspection on the written demand of any Member, and at reasonable times during usual business hours, for a purpose reasonably related to the Member's interests as a Member. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts.

Section 8.5 Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation and each of its subsidiary corporations. This inspection by a Director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Section 8.6 Annual Report. The Corporation shall provide to the Members within one hundred twenty (120) days of the close of its fiscal year, an annual report containing the following information in reasonable detail which shall be accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized Officer that such statements were prepared without audit from the books and records of the Corporation.

A. The assets and liabilities, including the trust funds of the Corporation as of the end of the fiscal year.

B. The principal changes in assets and liabilities, including trust funds, during the fiscal year.

C. The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year.

D. The expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year.

E. Any information required by *California Corporations Code* § 8322.

ARTICLE 9. FISCAL MANAGEMENT

Section 9.1 Fiscal Year. The fiscal year of the Corporation shall begin on January 1 of each year and end on December 31.

Section 9.2 Budgets and Financial Statements. The Corporation shall regularly prepare and distribute financial statements and related information to its Members in accordance with the following:

A. Distribution of Fiscal Year Budget. A budget for each fiscal year shall be distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year. This budget shall contain at least the following:

(1) The estimated revenues and expenses on an accrual basis;

(2) A summary of the Corporation's reserves based upon the most recent review or study conducted, which shall be printed in bold type and include all of the following:

(a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.

(b) As of the end of the fiscal year for which the study is prepared:

(i) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.

(iii) If applicable, the amount of funds received from either a compensatory damage award or settlement by the Corporation from any person or entity for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair or construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to clause (ii).

(c) The percentage that the amount determined for purposes of clause (ii) of Section 9.2(A)(2)(b) is of the amount determined for purposes of clause (i) of Section 9.2(A)(2)(b);

(3) A statement as to whether the Board of Directors of the Corporation has determined or anticipates that the levy of one (1) or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor; and

(4) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Corporation is obligated to maintain.

B. GAAP Review of Financial Statement. For any fiscal year in which the gross income to the Corporation exceeds Seventy-Five Thousand Dollars (\$75,000), a copy of a review of the financial statement prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy shall be distributed within one hundred twenty (120) days after the close of the fiscal year. For any fiscal year in which the gross income to the Corporation exceeds Five Hundred Thousand Dollars (\$500,000), the foregoing financial statements shall be audited.

C. Distribution of Summary of Pro Forma Operating Budget. In lieu of the distribution of the pro forma operating budget required by Section 9.2(A) above, the Board of Directors may elect to distribute a summary of the pro forma operating budget to all the Members with a written notice that the pro forma operating budget is available at the Principal Executive Office of the Corporation or at another suitable location within the boundaries of the Community and that copies will be provided upon request and at the expense of the Corporation. If any Member requests that a copy of the pro forma operating budget required by Section 9.2(A) be mailed or delivered to the Member, the Corporation shall provide the copy to the Member by personal delivery or first-class United States mail at the expense of the Corporation and delivered within five (5) days. The written notice that is distributed to each of the Members shall be in at least 10 (ten)-point bold type on the front page of the summary of the budget.

D. Statement Describing Enforcement of Lien Rights. A statement describing the Corporation's policies and practices in enforcing lien rights or other legal remedies for default in payment of its Assessments against its Members shall be annually delivered to the Members during the sixty (60)-day period immediately preceding the beginning of the Corporation's fiscal year.

E. Summary of Insurance Policies. A summary of the Corporation's property, general liability, and earthquake and flood insurance policies, which shall be distributed within sixty (60) days preceding the beginning of the Corporation's fiscal year, that includes all of the following information about each policy:

- (1) The name of the insurer.
- (2) The type of insurance.
- (3) The policy limits of the insurance.
- (4) The amount of deductibles, if any.

The Corporation shall, as soon as reasonably practicable, notify its Members by first-class mail if any of the policies described in this Section 9.2(E) above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the Corporation receives any notice of nonrenewal of a policy described in this Section 9.2(E) above, the Corporation shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

To the extent that any of the information required to be disclosed pursuant to this Section 9.2(E) is specified in the insurance policy declaration page, the Corporation may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members.

The summary distributed pursuant to this Section 9.2(E) shall contain, in at least 10 (ten) -point boldface type, the following statement:

“This summary of the Corporation’s policies of insurance provides only certain information, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Corporation Member may, upon request and provision of reasonable notice, review the Corporation’s insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Corporation maintains the policies of insurance specified in this summary, the Corporation’s policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Corporation Members should consult with their individual insurance broker or agent for appropriate additional coverage.”

Section 9.3 Review of Fiscal Affairs. The Board of Directors shall, on a quarterly basis, review the following:

- A. The current reconciliation of the Corporation’s operating accounts;
- B. The current reconciliation of the Corporation’s reserve accounts;
- C. The current year’s actual reserve revenues and expenses compared to the current year’s budget; and
- D. The income and expense statement for the Corporation’s operating and reserve accounts.

The Board of Directors shall also, on a regular basis, review the latest account statements for the Corporation’s operating and reserve accounts.

Section 9.4 Execution of Corporation Documents. With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the Corporation by either the President or the Vice President, and all checks shall be executed on behalf of the Corporation by two (2) people as designated by the Board, one (1) of which shall be either the President, the Vice President, or the Treasurer.

Section 9.5 Fiscal Limitations. Unless the Board consents in writing otherwise, all of the following limitations shall apply:

- A. Gross Income Generated by Assessments and other Fees. At least sixty percent (60%) or more of the Corporation’s gross income during any fiscal year must be generated by Assessments or other fees levied upon and collected from Members; provided, however, the foregoing limitation shall not apply to residents within the Community who have not acquired a Membership in the Corporation but continue to reside within the Community under a leasehold as a renter of that Space.

B. Allocation of Expenditures. Ninety percent (90%) or more of the Corporation's expenditures during any fiscal year must be allocated solely to the acquisition, construction, management, maintenance, and care of the Community.

C. No Revenues to Benefit Private Shareholder/Individual. No portion of the Corporation's revenues shall inure to the benefit of any private shareholder or individual; provided, however, that private shareholders or individuals may be paid by the Corporation for providing management, maintenance, and care of property belonging to the Corporation and may receive a rebate of excess Assessments or other fees related to Membership in the Corporation.

D. Monies Transferred to Trust. Sums received from Members as Assessments and other fees, which are not expended for Corporation purposes during any fiscal year, shall be transferred to and held in trust to provide for the management, maintenance, and care of the Community.

Section 9.6 Disposal of All or Substantially All Assets. The Corporation shall give written notice to the Attorney General twenty (20) days before it sells, leases, conveys, exchanges, transfers, or otherwise disposes of all or substantially all of its assets unless:

- A. The transaction is in the usual and regular course of the Corporation's activities; or
- B. The Attorney General has given the Corporation a written waiver related to such action.

ARTICLE 10. ASSESSMENTS

Section 10.1 Commencement of Assessments. Regular Assessments against any Membership interest shall commence on the date of the first transfer of that Membership.

Section 10.2 Total Monthly Regular Assessments. The total of all Members' Monthly Regular Assessments ("**Regular Assessments**") shall be equal to one-twelfth (1/12) of the following items:

- A. The annual cost of all operating expenses of the Community and services furnished;
- B. The annual cost of necessary management and administration of the Community;
- C. The annual amount of all taxes and assessments levied against the Community or other property of the Corporation for which the Corporation is required to pay, allocated to each Space in the manner required by law;
- D. The annual cost of fire and extended coverage insurance on the property and such other insurance as the Corporation may obtain or as may be required by any mortgagee on the property;
- E. The annual cost of furnishing water, electricity, heat, gas, garbage, and trash collection, and other utilities, if furnished by the Corporation;
- F. The annual deposits made by the Corporation into all reserves set up by the Board of Directors, including the general operating reserve and the reserve for replacements;
- G. The estimated annual cost of repairs, maintenance, and replacements of the Community property to be made by the Corporation;

H. The annual amount of principal, interest, mortgage insurance premiums, and other required payments on any mortgages on the property; and

I. Any other expenses of the Corporation approved by the Board of Directors including operating deficits, if any, for prior periods.

The Board of Directors shall establish the amount of the Regular Assessments annually but may do so at more frequent intervals, should circumstances so require. The Board of Directors may not increase the Regular Assessment except upon ninety (90) days' written notice to the Members, and as provided for in Section 10.3 below. The amount of Regular Assessments may vary between Members due to variations in property tax assessments and other reasonable factors as determined by the Board. In particular, and notwithstanding Section 10.2(H) above, the Board may allow Members to pay all or a portion of their principal share of any mortgages or other financing associated with the acquisition and ownership of the Community, in which case they shall have a significantly reduced Regular Assessment from those Members who elect to finance that cost rather than paying their principal share.

Section 10.3 Increase in Regular Assessments. The Board of Directors may not impose, except as provided in this Section 10.3, a Regular Assessment that is more than ten percent (10%) greater than the Regular Assessment for the Corporation's preceding fiscal year without the approval of a majority vote of the Members at a meeting where more than fifty percent (50%) of the Members are present or have voted by written ballot.

The provisions of this Section 10.3 do not limit Regular Assessment increases for the following emergency purposes (such purposes shall hereinafter be referred to as "**Emergency Assessments**"):

A. An extraordinary expense required by order of a court;

B. An extraordinary expense necessary to repair or maintain the Community or any part thereof for which the Corporation is responsible, where a threat to personal safety on the property is discovered; or

C. An extraordinary expense necessary to maintain or repair the Community or any part thereof for which the Corporation is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the budget. Prior to imposition of an assessment pursuant to this Section 10.3(C) the Board shall pass a resolution containing written findings as to the necessity of the expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. A copy of the resolution shall be distributed to all Members with the notice of the assessment.

Section 10.4 Special Assessments. In addition to the Regular Assessment authorized above, the Corporation may levy, in any fiscal year, a special assessment ("**Special Assessment**") applicable to that year for the purpose of defraying in whole or in part, the common expenses of the Corporation for any fiscal year (including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacement or reconstruction of capital improvements in or on the common area, including fixtures and personal property related thereto). Any Special Assessment other than an "Individual Special Assessment" (as defined in Section 10.6 below) shall be levied against each of the Members in the same proportion as the Regular Assessments and may be enforced in the same manner as the Regular Assessment.

Section 10.5 Limitation on Special Assessments. In any fiscal year, the Board of Directors may not, without the vote or written assent of a majority of the voting Members of the Corporation, levy Special

Assessments to defray the costs of any action or undertaking on behalf of the Corporation which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year. Special Assessments which in the aggregate are five percent (5%) or less than five percent (5%) of the budgeted gross expenses of the Corporation may be levied by the Board of Directors without vote or assent of the Members. The provisions of this Section 10.5 do not limit Assessment increases for the emergency purposes set forth in Section 10.3 of this instrument.

Section 10.6 Individual Special Assessments. The Corporation may levy an individual special assessment (“**Individual Special Assessment**”) against a Member in order to obtain reimbursement of funds expended by the Corporation, provided that such an Individual Special Assessment may only be levied to reimburse the Corporation for costs incurred in bringing the Member and his or her Membership and Space into compliance with provisions of the Governing Documents, including the Bylaws, Occupancy Agreement, Community Rules and Regulation, and Declaration of the Corporation, and including the cost of any repairs for which the Member is responsible according to the provisions of the Bylaws or Occupancy Agreement.

Section 10.7 Utilities Assessment. In addition to the Regular Assessment, each Member shall be obligated to pay to the Corporation, or a designated agent thereof, a monthly Utilities Assessment, if the Corporation provides any utilities to Members (including, but not limited to, gas, electric, water, sewer, fire protection, telephone and cable). This Assessment shall be based upon each Owner's actual use of said utilities to the extent such utilities are separately metered and, for all others, on a prorata basis. For the purposes of collection and enforcement, the Corporation is entitled to exercise the same rights and remedies as for the Regular and Special Assessments.

Section 10.8 Delinquent Assessments. Regular Assessments, Special Assessments, Utilities Assessments, and Individual Special Assessments, (collectively and individually referred to as “**Assessments**”) shall be delinquent fifteen (15) days after they become due; provided, however, that if the notice of Assessment provides a longer time period before a specific Assessment is deemed delinquent, in which case the longer time period shall apply. If an Assessment is delinquent the Corporation may recover all of the following:

A. Reasonable costs incurred in collecting the delinquent Assessment, including reasonable attorney's fees;

B. A late charge not to exceed ten percent (10%) of the delinquent Assessment or Seventy Five Dollars (\$75), whichever is greater, unless the notice of Assessment specifies a late charge in a smaller amount, in which case any late charge imposed shall not exceed the amount specified in such declaration; and

C. Interest on all sums imposed in accordance with this Section 10.8, including the delinquent Assessment, reasonable fees, and reasonable attorney's fees, costs of collection, and late charges, at an annual interest rate of twelve percent (12%), commencing thirty (30) days after the Assessment comes due, unless the notice of Assessment specifies the recovery of interest at a rate of a lesser amount, in which case the lesser rate of interest shall apply.

If any installment of a Regular Assessment is not paid within fifteen (15) days after its due date, the Board of Directors may proceed to collect the deficiency and declare a default pursuant to the foreclosure provisions of *California Commercial Code § 9601 et. seq.*, in addition to any other remedies provided in the Declaration, the Bylaws, the Occupancy Agreement, or by law.

Section 10.9 Lien on the Membership. Upon the issuance of the Membership, the Board of Directors will file a National Financing Statement (“UCC-1”) with the California Secretary of State securing a security interest in the Membership. The UCC-1 will grant the Corporation a lien on the Membership, thereby allowing the Corporation the right to foreclose upon such lien in the event of a default by the Member.

A. Notice. At least thirty (30) days prior to the Association initiating proceedings to suspend or terminate the Membership pursuant to these Bylaws, the Corporation shall notify the Member in writing in the manner provided for in Section 3.11(E), of the following:

(1) An itemized statement of the charges owed by the Member, including terms on the statement which indicate the amount of any delinquent Assessments, the fees and reasonable costs of collection, reasonable attorney’s fees, and late charges and interest, if any.

(2) A statement that the Member shall not be liable to pay the charges, interest, and costs of collection if it is determined the Assessment was paid on time to the Corporation.

B. Payments First Applied to Assessments Owed. Any payments made by the Member toward the debt set forth in the notice described in Section 10.9(A) above, shall first be applied to any Assessment owed, and only after the Assessments owed are paid in full shall the payments be applied to the fees and costs of collection, attorney’s fees, late charges, or interest.

C. Member may Dispute Stated Debt Owed Corporation. A Member may dispute the debt noticed pursuant to 10.9A above or may submit a written request to meet with the Board of Directors of the Corporation as is further provided for in the Delinquent Assessment Collection Policy, as amended from time to time.

Section 10.10 Enforcement of UCC-1 Lien. Upon the conclusion of the Grievance Committee to terminate Membership or after the expiration of thirty (30) days following the delivery of the notice described in 3.12(E) and 10.9(A) above, the UCC-1 lien may be enforced in any manner permitted by law, including a sale by the court. Any such sale shall be in accordance with the provisions of *California Commercial Code* and *California Civil Code*, as may be applicable and amended from time to time. The UCC-1 lien may also be enforced by the Corporation, its attorney, or any other person in any other manner permitted by law, including judicial foreclosure. The Corporation, acting on behalf of the Members, shall have the power to bid for the interest at a foreclosure or trustee’s sale and to acquire or take by deed in lieu of foreclosure, and hold, lease, mortgage, and convey the same. The Corporation’s lien rights pursuant to this Article X shall be in addition to other rights and remedies of the Corporation pursuant to the Governing Documents and California law, including the right to terminate Membership and occupancy rights of Members for cause and to repossess Spaces by unlawful detainer proceedings.

Section 10.11 Notice Assessments and Foreclosure. The Corporation shall distribute the written notice described in this Section 10.11 to each Member during the sixty (60)-day period immediately preceding the beginning of the Corporations fiscal year. The notice required by this Section 10.11 shall be printed in at least twelve (12)-point type.

The notice required by this Section 10.11 shall read as follows:

“NOTICE OF ASSESSMENTS AND FORECLOSURE

A. Notice Assessments and Foreclosure. This notice outlines some of the rights and responsibilities of Members of the Corporation. You may wish to consult a lawyer if you dispute an assessment.

B. Assessments and Foreclosure. The failure to pay Corporation assessments may result in the loss of an owner's property including Membership rights through judicial foreclosure. The Corporation may proceed to foreclose on the lien recorded against your Membership pursuant to the UCC-1 statement recorded with the California Secretary of State. The owner's property may be sold to satisfy the lien if the lien is not paid. Assessments become delinquent fifteen (15) days after they are due.

In a nonjudicial foreclosure, the Corporation may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Corporation may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a Member or a Member's guests, if the Governing Documents provide for this.

The Corporation must comply with applicable California law when collecting delinquent Assessments. If the Corporation fails to follow applicable California law, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the Corporation.

At least thirty (30) days prior to recording a lien on an owner's separate interest, the Corporation must provide the owner of record with certain documents by certified mail. Among these documents, the Corporation must send a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the Corporation's records to verify the debt.

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within twenty one (21) days, and to provide an owner certain documents in this regard.

The collection practices of the Corporation may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

C. Payments. When an owner makes a payment, he or she may request a receipt, and the Corporation is required to provide it. On the receipt, the Corporation must indicate the date of payment and the person who received it. The Corporation must inform owners of a mailing address for overnight payments.

An owner may dispute an assessment debt by giving the Board of the Corporation a written explanation, and the Board must respond within fifteen (15) days following receipt from the owner of all information reasonably requested by the Board to make its decision. An owner may pay Assessments that are in dispute in full under protest, and then request alternative dispute resolution. An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time.

D. Meetings and Payment Plans. An owner of a separate interest that is not a time-share may request the Corporation to consider a payment plan to satisfy a delinquent assessment. The Corporation must inform owners of the standards for payment plans, if any exist.

The Board of Directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a First Demand Letter. These payment plans must conform to the payment plan standards of the Corporation, if they exist.”

ARTICLE 11. INDEMNIFICATION AND LIABILITY

Section 11.1 Indemnification. This Corporation shall indemnify its Directors, Officers, employees, and agents, including persons formerly occupying any such position, to the fullest extent permitted by law, against all expenses, judgments, fines, and other amounts actually and reasonably incurred by them in their capacity as Directors, Officers, employees, and agents in connection with any threatened, pending, or completed action or proceedings, whether it is civil, criminal, administrative, or investigative if the Board finds that the person met the statutorily prescribed standard of care by acting (i) in good faith, (ii) in a manner such person reasonably believed to be in the best interests of the Corporation, and (iii) with the care of an ordinarily prudent person.

In all cases where indemnification is sought, the Corporation shall be subject to all of the following restrictions and requirements:

A. Approval of Board and Certain Standard of Care Required. Where the action or proceeding is brought on behalf of the Corporation, involves self-dealing transactions (as defined in Section 5.6 of these Bylaws), or is brought by the Attorney General or any person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust, the Corporation shall not indemnify against amounts paid in settlement or judgment amounts, but shall, upon the express authorization of the Board, indemnify the Director, Officer, employee, or agent against expenses incurred in defense of an action arising from his or her relationship to the Corporation. To indemnify in such cases the Board must find the person met the statutorily prescribed standard of care by acting (i) in good faith, (ii) in the best interests of the Corporation, and (iii) with the care of an ordinarily prudent person.

B. No Indemnification if Liable without Attorney General/Court Approval. Where the person seeking indemnification under Section 11.1(A) has been held liable to the Corporation, or has settled or otherwise disposed of his or her liability to the Corporation, the Corporation shall not indemnify against expenses without the approval of the court or the Attorney General.

C. Board Vote on Standard of Care Exercised. The Board shall determine whether the person seeking indemnification has acted in accordance with the standard of care set forth in this Section 11.1 by a majority vote of a quorum consisting of disinterested Directors. The termination of any proceeding in a manner adverse to the defendant seeking indemnification shall not create a presumption that such person failed to meet the standard of care.

D. Success on the Merits of Defense. Where the person seeking indemnification has been successful on the merits in defense of any action or proceeding brought on behalf of the Corporation or in defense of any claim or issue involved in such action or proceeding, the Corporation shall indemnify against all expenses actually or reasonably incurred.

E. No Advance of Funds. The Corporation shall not advance any money to the person seeking indemnification for the purpose of defending against any action or proceeding without the receipt of an undertaking by such person to repay all advances unless it is ultimately determined that he or she is entitled to indemnification.

Section 11.2 Liability. No Director or Officer of the Corporation shall incur personal liability to any third party for monetary damages caused by the Director's or Officer's negligent act or omission in the performance of such Director's or Officer's duties as such, so long as all of the following conditions are met:

- A. The act or omission was within such Director's or Officer's duties;
- B. The act or omission was performed in good faith;
- C. The act or omission was not reckless, wanton, intentional, or grossly negligent; and
- D. Either;

(1) Damages caused by the act or omission are covered pursuant to a liability insurance policy issued to the Corporation, either in the form of a general liability policy or a Director's or Officer's liability policy, or personally to the Director or Officer; or

(2) If the damages are not covered by a liability insurance policy described in Subsection 11.2(D)(1), the Director or Officer shall not be personally liable for the damages described in this Section 11.2 if the Board and the Director or Officer had made all reasonable efforts in good faith to obtain available liability insurance.

Notwithstanding the foregoing in this Section 11.2, there shall be no elimination or limitation of any Director's or Officer's liability for self-dealing transactions described in Section 5.6, any action described in Section 5.4 or any action or proceeding brought by the Attorney General.

ARTICLE 12. CONDEMNATION

Section 12.1 Eminent Domain. In the event of any taking of the Community, or any part thereof, by eminent domain, the Corporation shall be entitled to receive the award of such taking. The Corporation shall use the proceeds of the taking in the following order:

- A. Payment of any amounts required by any mortgagee under the terms of the agreements between the mortgagee(s) and the Corporation;
- B. Establishment of an account in the name of the Corporation, funded in the amount necessary to repair or rebuild any facilities which have been taken or adversely affected by the taking;
- C. Purchase of Memberships from the Corporation Members whose Space was taken or partially taken such that the Space can no longer be occupied. If insufficient funds are available from the condemnation award to fully purchase all of the Memberships so affected, then the proceeds shall be allocated on a proportional basis to each Member so affected; and
- D. The Corporation shall retain any remaining funds and may use the funds in accordance with Section 3.10(E).

ARTICLE 13. CONSTRUCTION AND DEFINITIONS

Section 13.1 General Rules of Construction Apply. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the feminine gender includes the masculine and neuter, the singular number includes the plural, the plural includes the singular, and the term “**person**” includes both the Corporation and a natural person.

ARTICLE 14. NOTICES

Section 14.1 Requirements Based on Notice. All notices required or permitted under this instrument must be in writing and may be served upon the Corporation or Member by any means permitted by law. Member understands that any notice by the Corporation terminating Member’s tenancy must be given to Member in writing in the manner described in *California Code of Civil Procedure § 1162*. The service of any other notice on Member, including, but not limited to, a notice of lease payments increase, a notice of amendments to the Community’s Rules and Regulations, notices relating to other matters such as rental agreements (if applicable), homeowner communications and meetings, and transfers of any mobilehome(s) or the Park may be duly and validly served if the notice is mailed to the Member at his or her address in the Community by First Class United States mail, postage prepaid. Any such notice served upon Member in this manner shall be deemed served forty-eight (48) hours after its mailing. All notices to the Corporation shall be mailed to the Corporation’s address by First Class United States mail, postage prepaid.

ARTICLE 15. NONCOMPLIANCE AND ENFORCEMENT

Section 15.1 Default and Enforcement. In the event of default or any action to enforce these Bylaws, the non-prevailing party in any such action shall be responsible for all costs and expenses incurred as a result of such action, including reasonable attorneys’ fees incurred by the prevailing party, all of which may be included as part of the judgment rendered in any such action.

Section 15.2 Notice to Attorney General. The Attorney General of the State of California shall be given notice by the Board of Directors of any action to enforce the Governing Documents brought by the Corporation, a member of its Board of Directors, any Members of the Corporation, or any other person or entity with an interest in the Community or the Corporation.

ARTICLE 16. EXAMINATION BY ATTORNEY GENERAL

Section 16.1 Corporation Subject to Examination by Attorney General. The Corporation shall at all times be subject to examination by the Attorney General, on behalf of the State of California, to ascertain the condition of its affairs and to what extent, if at all, it fails to comply with trusts which it has assumed or has departed from the purposes for which it was formed.

ARTICLE 17. AMENDMENTS

Section 17.1 Amendment of Bylaws. After sale of the first Membership, these Bylaws and the Articles of Incorporation may be amended only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of a quorum of the Corporation. However, the percentage of voting power necessary to amend a specific provision or clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause, if any.

The quorum requirement to amend Section 4.7 is ninety percent (90%) quorum and a ninety percent (90%) vote of the membership.

Amendments may be proposed by the Board of Directors or by petition signed by at least twenty percent (20%) of the Members. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon.

Section 17.2 Amendments to California Statutes. Where a provision in these Bylaws makes reference to a California statute, or where a Bylaw provision is required by a California statute, any amendment to such statute shall be deemed to automatically amend the affected Bylaw provision, and the Corporation shall comply with the requirements of such amended law in place of any requirements set forth in these Bylaws.

ARTICLE 18. LENDER PROTECTIONS; SPECIAL PURPOSE ENTITY PROVISIONS

Section 18.1 Supersede Conflicting Provisions. The following provisions are intended to amend and supersede any conflicting provisions of the Governing Documents to the contrary, and are specifically included for the benefit of the Corporations prospective lender(s):

A. Prohibited Activities. The Corporation shall only incur indebtedness in an amount necessary to acquire, operate and maintain the Community. For so long as any mortgage lien exists on any portion of the Community, the Corporation shall not incur, assume, or guaranty any other indebtedness. The Corporation shall not consolidate or merge with or into any other entity or convey or transfer its properties and assets substantially as an entirety to any entity unless (i) the entity (if other than the Corporation) formed or surviving such consolidation or merger or that acquired by conveyance or transfer the properties and assets of the Corporation substantially as an entirety (a) shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, (b) shall include in its organizational documents the same limitations set forth in this Section 18.1(A) and in Section 18.1(C) below, and (c) shall expressly assume the due and punctual performance of the Corporation's obligations; and (ii) immediately after giving effect to such transaction, no default or event of default under any agreement to which it is a party shall have been committed by this Corporation and be continuing. For so long as a mortgage lien exists on any portion of the Community, the Corporation will not voluntarily commence a case with respect to itself, as debtor, under the Federal Bankruptcy Code or any similar federal or state statute without the unanimous consent of the Board of Directors. For so long as a mortgage lien exists on any portion of the Community, no material amendment to the Articles or to the Bylaws which is inconsistent with this Section 18.1 may be made without first obtaining approval of the mortgagee holding a first mortgage on any portion of the Community.

B. Indemnification. Any indemnification shall be fully subordinated to any obligations respecting the Community and shall not constitute a claim against the corporation in the event that cash flow is insufficient to pay such obligations

C. Separateness Covenants. For so long as any mortgage lien exists on any portion of the Community, in order to preserve and ensure its separate and distinct corporate identity, in addition to the other provisions set forth in this certificate of incorporation, the Corporation shall conduct its affairs in accordance with the following provisions:

(1) It shall establish and maintain an office through which its business shall be conducted separate and apart from those of its parent and any affiliate or, if it shares office space with its parent or any affiliate, it shall allocate fairly and reasonably any overhead and expense for shared office space.

(2) It shall not own and will not own any asset or property other than (i) the Community and (ii) incidental personal property necessary for the ownership or operation of the Community.

(3) It will not engage, directly or indirectly, in any business other than the ownership, management and operation of the Community and it will conduct and operate its business as presently conducted and operated.

(4) Its Board of Directors shall hold appropriate meetings (or act by unanimous consent) to authorize all appropriate corporate actions, and in authorizing such actions, shall observe all corporate formalities.

(5) It will not enter into any contract or agreement with its parent, any affiliate of the corporation or any constituent party of the corporation except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with unrelated third parties.

(6) It has not incurred and will not incur any indebtedness, secured or unsecured, direct or indirect, absolute or contingent (including guaranteeing any obligation), other than (i) the indebtedness secured by the mortgage lien, (ii) advances from its parent or any affiliate provided the same are fully subordinated in payment to the payment in full of the indebtedness secured by any mortgage lien on the Community in a manner acceptable to the holder of such mortgage lien and (iii) trade payables or accrued expenses incurred in the ordinary course of the business of operating the Community with trade creditors and in amounts as are normal and reasonable under the circumstances. No indebtedness other than the indebtedness secured by the mortgage lien may be secured (subordinate or *pari passu*) by the Community.

(7) It has not made and will not make any loans or advances to any third party (including its parent, any affiliate of the corporation) or constituent party of the corporation and shall not acquire obligations or securities of its affiliates.

(8) It is and will remain solvent and will pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its assets as the same shall become due.

(9) It has done or caused to be done and will do all things necessary to observe organizational formalities and preserve its existence, and it will not amend, modify or otherwise change the articles of incorporation or of the corporation without the prior written consent of the mortgage lien holder.

(10) It will maintain all of its books, records, financial statements and bank accounts separate from those of its parent, its affiliates and any constituent party and the corporation will file its own separate tax returns. It shall maintain its books, records, resolutions and agreements as official records.

(11) It will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including its parent, any affiliate of the Corporation or any constituent party of the Corporation), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct and operate its business in its own name, shall not identify itself or any of its affiliates as a division or part of the other and shall maintain and utilize a separate telephone number and separate stationery, invoices and checks.

(12) It will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(13) Neither the Corporation nor any constituent party will seek or permit the dissolution, winding up, liquidation, consolidation or merger in whole or in part, of the corporation, or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of any other person or entity.

(14) It will not commingle the funds and other assets of the Corporation with those of its parent, any affiliate or constituent party, or any affiliate of any constituent party, or any other person.

(15) It has and will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual asset or assets, as the case may be, from those of any affiliate or constituent party, or any affiliate of any constituent party, or any other person.

(16) It shall not pledge its assets and does not and will not hold itself out to be responsible for the debts or obligations of any other person.

(17) It shall pay any liabilities out of its own funds, including salaries of any employees, not funds of its parent or any affiliate.

For purpose of this Section 18.1, the following terms shall have the following meanings:

(18) “affiliate” means any person controlling or controlled by or under common control with the parent, including, without limitation (i) any person who has a familial relationship, by blood, marriage or otherwise with any director, officer or employee of the Corporation, its parent, or any affiliate thereof and (ii) any person which receives compensation for administrative, legal or accounting services from this Corporation, its parent or any affiliate. For purposes of this definition, “control” when used with respect to any specified person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

(19) “parent” means, with respect to a corporation, any other corporation owning or controlling, directly or indirectly, fifty percent (50%) or more of the voting stock of the corporation.

(20) “person” means any individual, corporation, partnership, limited liability company, joint venture, Corporation, joint stock company, trust (including any beneficiary thereof), unincorporated organization, or government or any agency or political subdivision thereof.

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CERTIFICATE OF SECRETARY

This is to certify that the foregoing is a true and correct copy of the Bylaws of the corporation, comprised of __ pages, and that such Bylaws were duly adopted by the Board of Directors of said corporation on the date set forth below:

IN WITNESS THEREOF, I have hereunto subscribed my name, this 10 day of DEC, 2013


Secretary