

BYLAWS
OF
SERRANO VILLAGE COMMUNITY ASSOCIATION

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BYLAWS
OF
SERRANO VILLAGE COMMUNITY ASSOCIATION

ARTICLE I

DEFINITIONS

All terms as used in these Bylaws shall, unless stated otherwise, be defined as set forth in that certain Master Declaration of Covenants, Conditions and Restrictions for Serrano Village Community Association, recorded on _____, as Instrument No. _____ of Official Records of San Bernardino County, California ("Declaration") and any amendments thereto. All of the terms and provisions of the Declaration and any amendments thereto are incorporated herein by reference. Unless otherwise defined herein, all statutory references to "Section _ _ _ _" (for example, Section 4000)] will be to the Davis-Stirling Common Interest Development Act ("Act"), Sections 4000 through 6150, of the California Civil Code.

ARTICLE II

NAME AND LOCATION

The name of the corporation is Serrano Village Community Association, hereinafter referred to as the "Association." The principal office of the Association shall be located at the Project or at such other place as may be designated by the Board within the County of San Bernardino, State of California. The Board is granted full power and authority to change the principal office from one location to another within the County.

ARTICLE III

MEMBERS

Section 3.1. Membership. Every person or entity who is an Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of the Lot which gives rise to such membership. Ownership of a Lot or interest therein shall be the sole qualification for membership. A Member may not possess more than one membership in the Association but shall have the votes for each Lot owned as set forth in Section 4.7 below and in the Declaration. Transfer of a Lot shall automatically transfer membership in the Association and all rights of the transferor with respect to the Common Area, and the membership of the transferor shall automatically terminate. The provisions of these Bylaws, which are binding upon all Members, are not exclusive, and Members shall also be subject to the terms and provisions of the Declaration, the Articles and Association Rules.

Section 3.2. Assessments. The Members shall be personally liable for the payment of such Assessments as may be fixed and levied by the Board pursuant to the Declaration. Should any Member fail to pay his Assessments before delinquency, the Association, at the discretion of the Board, shall have the right to suspend the voting rights and easements of use and enjoyment of the Common Area of such Member, subject to the procedural safeguards established under Section 3.4 below, for any period during which the payment of any such Assessments remains delinquent.

Section 3.3. Association Rules; Fines and Penalties. The Members are subject to the Governing Documents and any Association rules and regulations adopted by the Board ("Rules"). The Board shall have the power to adopt, amend, and repeal such Rules as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as a Reimbursement Assessment pursuant to the Declaration. If any Rule is deemed to be an Operating Rule under Section 4355, the Association shall comply with the requirements and procedures set forth in Sections 4360 and 4365. The Rules shall also provide that no fine or penalty shall be levied and no discipline imposed for violation of the Governing Documents, including the Rules, without the procedural safeguards described in Section 3.4 below.

If the Association adopts or has adopted a policy imposing any monetary penalty, including any fee, on any Member for a violation of the Governing Documents (including the Rules), including any monetary penalty relating to the activities of a guest, invitee or tenant of a Member, pursuant to Section 5850, the Board shall distribute to each Member, by personal delivery or first-class mail by inclusion with the Annual Policy Statement prepared pursuant to Section 5310, a schedule of the monetary penalties that may be assessed for those violations. Any new or revised monetary penalty that is adopted after complying with Section 5850(a) of the Act may be included in a supplement that is delivered to the Members by Individual Delivery, pursuant to Section 4040.

Any such schedule of monetary penalties is an Operating Rule of the Association under Section 4355(a)(3), and any changes to that schedule shall constitute a proposed Rule Change under Section 4360. If the Association considers imposing a new schedule where none existed, or if changes are proposed to be made to the original schedule of fees and penalties, the Board shall comply with the requirements and procedures in Sections 4360 and 4365.

Section 3.4. Enforcement (Notice and Hearing). No fine or penalty shall be levied and no discipline imposed for violation of the Governing Documents, including the Association Rules, in accordance with Section 5855, without the following procedural safeguards:

(a) When the Board is to meet to consider or impose discipline upon a Member, or to impose a monetary charge as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area and facilities caused by a Member or the Member's guest or tenant, the Board shall notify the Member in writing by either personal delivery or Individual Delivery as defined in the Declaration and Section 4040 of the Act," at least ten (10) days prior to the meeting. The written notification shall contain, at a minimum, the date, time and place of the meeting, the nature of the alleged violation for which the Member may be disciplined or the nature of the damage to the Common Area and facilities

for which a monetary charge may be imposed, and a statement that the Member has a right to attend and may address the Board at the meeting. The Board shall meet in executive session if requested by the Member being disciplined.

(b) If the Board imposes discipline on a Member or imposes a monetary charge on the Member for damage to the Common Area and facilities, the Board shall provide the Member written notification of the decision, by either personal delivery or Individual Delivery, within fifteen (15) days following the action.

In the event the Member corrects an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

Under no circumstances may the Association cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of the Owner's Lot on account of the failure of the Owner to comply with the provisions of the Governing Documents of the Association, except by judgment of a court or decision of an arbitrator, or on account of a foreclosure or a sale under power of sale for failure of the Owner to pay Special Assessments or Regular Assessments due or levied by the Association.

ARTICLE IV

MEETINGS OF MEMBERS AND VOTING

Section 4.1. Annual Meetings. The first meeting of the Members, whether an annual or a special meeting, shall be held within forty-five (45) days after the closing of the sale of the Lot which represents the sale of the 51st percentile interest authorized for sale under the first Public Report for the Project (provided that Public Report authorizes the sale of fifty (50) Lots or more in the Project), or within six months after the sale of the first Lot, whichever first occurs. In no event shall the first meeting be held later than six months after the closing of the sale of the first Lot without regard to the number of Lots authorized for sale in the first Public Report. Subsequent annual meetings of the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at such time as the Board directs. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following, which is not a legal holiday (excluding Saturday and Sunday). Control of the Project shall be turned over to the Association at the first annual meeting.

Section 4.2. Special Meetings. Special meetings of the Members shall be promptly called by the Board upon either (i) the vote for such a meeting by a majority of a quorum of the Board or, (ii) the receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Association. If the Association is the obligee under a Bond or other arrangement to secure performance of the commitment of the Declarant to (a) complete Common Area improvements which have not been completed prior to the close of escrow of the sale of the first Lot, and/or (b) to pay Assessments on Lots owned by Declarant, and the Assessments are delinquent for thirty (30) days, a special meeting of the Members may be called in accordance with the provisions of Article XV of the Declaration. Members of the Association owning five percent (5%) or more of the Separate Interests may also call a special

meeting of the Members to reverse a Rule Change in accordance with the procedures set forth in Section 4365.

Section 4.3. Notice of Meetings. Written notice of each meeting of the Members, annual or special, shall be given by, or at the direction of, the Secretary (or the Project's Managing Agent in a professionally managed Project) by personal delivery or by General Notice, pursuant to Section 4045, unless a provision of the Governing Documents or the Act specifies Individual Notice pursuant to Section 4040. Such written notice shall be given at least ten (10) but not more than ninety (90) days before such meeting, pursuant to the requirements of California Corporations Code Section 7511, unless a certain number of days for notice is required for a particular action under a provision in these Bylaws, the Declaration or the Act, to all Members addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice, and to each First Lender requesting notice. Such notice shall specify the place, day and hour of the meeting, the means of electronic transmission by and to the Association (California Corporations Code Sections 20 and 21), or electronic video screen communication, if any, by which members may participate in that meeting, and the general nature of the business to be transacted. If action is proposed to be taken at any meeting, for approval for any of the following proposals, the notice must state the general nature of the proposal(s): (a) removing a Director without cause; (b) filling vacancies in the Board of Directors by the Members; (c) approving a contract or transaction in which a Director has a material financial interest; (d) dissolving the Association; and (e) amending the Governing Documents. Further, any notice of meeting that will address proposed revisions to Governing Documents, shall include the proposed text of the revisions, including changes or reversals of Operating Rules which address any of the following subjects: (a) use of Common Area or Exclusive Use Common Area; (b) Use of a Separate Interest, including aesthetic or architectural standards; (c) Member discipline and any schedule of monetary penalties for violation of the governing documents and procedures for imposition of penalties; (d) standards for delinquent payment plans; (e) resolution dispute procedures; (f) procedures for reviewing and approving or disapproving proposed changes to a Member's Separate Interest or the Common Area; (g) procedures for election; and (h) any topic that is expressly identified in the Operating Rules as being subject to notice and meeting of Members, pursuant to Section 5100(b.) Member action on such items is invalid unless the notice of meeting states the general nature of the proposal(s).

Section 4.4. Place of Meetings. All meetings of Members shall be held at the Project, or as close thereto as possible, or at such other place within the County as may be fixed by resolution of the Board. Unless unusual conditions exist, meetings of Members shall not be held outside the County.

Section 4.5. Quorum. The presence either in person or by proxy, at any meeting, of Members entitled to cast fifty-one percent (51%) of the total voting power of the Association (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting), shall constitute a quorum for any action, unless a higher percentage is required for any particular action by the Act or the Governing Documents. If, however, such quorum shall not be present or represented at any meeting, a majority of the Members present and entitled to vote thereat, either in person or by proxy, may, unless otherwise provided by law, adjourn the meeting to a date not less than five (5) days nor more than thirty (30) days from the meeting date, at which

meeting the quorum requirements shall be one-third (1/3) of the total voting power (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting). The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that not less than twenty-five percent (25%) of the total voting power of the Association remains present in person and/or by proxy, and provided further that any action taken shall be approved by a majority of the Members required to constitute a quorum, and that the only matters that may be voted upon at said adjourned meeting are matters the general nature of which was noticed not less than ten (10) nor more than ninety (90) days before the date of the meeting to each Member entitled to vote at the meeting. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for annual meetings.

Notwithstanding anything herein to the contrary, for purposes of obtaining membership approval of Special Assessments or increases in Regular Assessments as may be required by Section 6.5 of the Declaration, a "quorum" means more than fifty percent (50%) of the total voting power of the Association.

No quorum shall be required for any vote by the Members for election of Directors pursuant to Sections 6.1 and 6.2 below.

Section 4.6. Proxies. At all meetings of Members, each Member may vote in person or by proxy. A "proxy" is a written authorization signed by a Member or the authorized representative of the Member that gives another Member or Members the power to vote on behalf of that Member as described in Section 5130. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot, or upon receipt of written notice by the Secretary of the death or judicially declared incompetence of a Member prior to the counting of the vote, or upon the expiration of eleven (11) months from the date of the proxy. Any form of proxy distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy also shall identify the person or persons authorized to exercise the proxy and the length of time it will be valid. In addition, voting by proxy shall comply with any other applicable requirements of Section 5130 and California Corporations Code Sections 7514 and 7613.

Section 4.7. Membership and Voting. The Association shall have two (2) classes of voting membership as described in Section 5.3 of the Declaration. Class A Members shall be all Owners with the exception of the Declarant (until the termination of Class B membership). Each Class A Member shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an ownership interest in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot. The Class B Member shall be the Declarant.

The Class B Member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall terminate as provided in the Declaration.

Any action by the Association which must have the approval of the Members before being undertaken shall require the vote of a majority of a quorum of each class of membership, or the written assent of a majority of each of each class of membership. Where the vote or written assent of each class of membership is required, any requirement that the vote of Declarant be excluded is not applicable, except as provided in the Declaration. After the conversion of Class B membership to Class A membership, any provisions herein requiring the approval of Members other than Declarant, except as provided otherwise in the Declaration, shall mean the vote of a majority of a quorum, or written assent of a majority of the total voting power of the Association (including Declarant's vote(s)) and the vote of a majority of a quorum, or written assent of a majority of the total voting power of Members other than the Declarant.

Voting rights (for either membership class) attributable to ownership of Lots shall not vest until Assessments against those Lots have been levied by the Association. Owners of Lots in all Phases shall have the same voting rights. A "majority vote" means a majority of votes in the Project as a whole, not a majority of votes of Owners in each Phase.

Section 4.8. Eligibility to Vote. 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 Lot and not subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section 4.9 below. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of nonpayment of Assessments, although a Member whose Assessments are delinquent, 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 Association of the following: (i) the signature or signatures of the Owner(s) authorized to vote on behalf of the Member's Lot; and (ii) the 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 4.9. Record Dates.

(a) Record Dates Established by the Board. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board may fix, in advance, a "record date," and only Members of record on the date so fixed are entitled to receive notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. In accordance with California Corporations Code Section 7611, the record dates established by the Board pursuant to this Section shall be determined as follows:

- (i) Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than ninety (90) nor less than ten (10) days before the date of the meeting;
- (ii) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than sixty (60) days before the date of the meeting;
- (iii) Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall be no more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and
- (iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

- (i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of 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.
- (ii) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.
- (iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.
- (iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be no more than sixty (60) days prior to the date of such other action.

- (v) "Record Date" Means as of Close of Business. For purposes of this Section 4.9, a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

Section 4.10. Action Without Meeting. Any action that may be taken at any annual or special meeting of Members may be taken without a meeting and conducted entirely by mail in accordance with the provisions of California Corporations Code Section 7513 (except for elections requiring a secret ballot and meeting for the inspector of elections to publicly tabulate votes, as described in Section 4.15 of these Bylaws). In that event, the Association shall distribute a written ballot, as described in Section 4.11 below, to every Member entitled to vote on the matter.

Section 4.11. Written Ballots. Any form of written ballot distributed to the Members shall afford an opportunity to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot is distributed, to be acted upon. Any such form of written ballot also shall provide, subject to reasonable specified conditions, (i) the proposed action; (ii) the time by which the ballot must be received by the Association in order to be counted; (iii) the number of responses needed to meet the quorum requirement, and (iv) the percentage of approvals necessary to approve the proposed action. Ballots, with instructions on how to return ballots, shall be delivered by the Association by General Notice, as defined in the Declaration and Section 4045 of the Act to every Member not less than thirty (30) days prior to the deadline for voting.

Section 4.12. Conduct of Meetings. All meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Any Member shall be permitted to speak at a meeting of the Association Members; however, the Board of Directors may establish a reasonable time limit for Members to speak before a meeting of the Members.

Section 4.13. Conduct of Elections. The Association shall adopt Rules of Election in accordance with California Civil Code Sections 5100 to 5145, as provided in Section 6.2 of these Bylaws.

Section 4.14. Consent of Absentees. The transaction of any business at any meeting of Members, either annual or special, however called and noticed, shall be as valid as though transacted at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy, and if either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 4.15. Matters Requiring Vote by Secret Ballot. Voting in matters regarding assessments legally requiring a vote, election and removal of Board members, amendments to the Governing Documents, or the grant of exclusive use of Common Area must be held by secret ballot pursuant to Section 5100. To the extent that the provisions of Sections 5100 through 5145

of the Act conflict with the Nonprofit Mutual Benefit Corporation Law, commencing with Section 7110 of the Corporations Code, relating to elections, the provisions in the Act shall prevail. Ballots shall be mailed by first-class mail to every Member not less than 30 days prior to the deadline for voting pursuant to Section 4920. All votes shall be counted and tabulated by the inspector of elections in public at a properly noticed open meeting of the Board or Members, pursuant to Section 5120. The tabulated results of the election shall be properly reported to the Board and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members. Within 15 days of the election, the Board shall give General Notice to the Members, pursuant to Section 4045, of the tabulated results of the election. The tabulated ballots shall remain in the custody of the inspector of elections until the one-year time period allowed by Section 5145 for challenging the election has expired, at which time custody shall be transferred to the Association.

The secret-ballot election and voting procedures in the Act only apply to specified types of elections of the Association. However, the Association may elect to use the statutory secret ballot procedures in the Act for any type of Member election in order to standardize procedures. Should the Association elect to use the statutory secret ballot procedures of the Act for any other types of elections, it shall adopt an Operating Rule that expressly identifies each topic of action to be governed by Section 5100(b).

ARTICLE V

BOARD OF DIRECTORS

Section 5.1. Number and Qualifications. Prior to the first annual meeting of the Members, the Board shall be composed of one (1) to four (4) Directors, as designated and appointed by the sole Incorporator of the Association. The initial Directors shall hold office until the first annual meeting of the Members and until their successors are elected. From and after the first annual meeting of the Members, the number of Directors of the Association shall be five (5) until changed by a duly adopted amendment to this Section. In no event shall any amendment decrease the number of Directors after the first annual meeting of Members below three (3). Candidates and Directors must be Members of the Association in good standing, except for the initial Directors designated and appointed by the sole incorporator of the Association and authorized representatives of the Class B Member who may be elected to the Board.

Section 5.2. Election and Term. At the first annual meeting of the Association, the Members shall elect Directors to fill all positions on the Board. The original five (5) Directors so elected shall, by drawing lots, designate that three (3) of the Directors so elected shall serve for a term of one (1) year, while the remaining two (2) Directors shall serve for two (2) years. At each annual meeting thereafter, the Members shall elect three (3) or two (2) Directors respectively, for a term of two (2) years, to succeed those Directors whose terms have expired. Unless vacated sooner, each Director shall hold office until the Director's term expires and a successor is elected.

Section 5.3. Removal; Vacancies. Any or all Directors may be removed if such removal is approved by a majority of the Members' votes represented and voting at a duly held meeting at which a quorum is present, which affirmative votes also constitute a majority of the

required quorum and are cast by secret ballot in accordance with Section 5100(a). A Director who was elected solely by the votes of Members other than Declarant may be removed from office prior to the expiration of his term only by the votes of a majority of Members other than Declarant. In the event of death or resignation of a Director, the vacancy shall be filled by approval of the Board at a duly held meeting, or by the sole remaining Director. The successor Director shall serve for the unexpired term of his predecessor. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. A vacancy created by removal of a Director can be filled only by election of the Members. Unless the entire Board is being removed, no individual Director shall be removed prior to the expiration of his term if the votes cast against his removal would be sufficient to elect him, if voted cumulatively, at an election at which the same number of votes were cast and the entire number of Directors, authorized at the time of the most recent election of the Board, were then being elected.

Section 5.4. Compensation. No Director or Officer shall receive compensation for any service rendered to the Association. However, any Director or Officer may be reimbursed for his actual expenses, if reasonable, that are incurred in the performance of his duties. Nothing herein shall be construed to preclude any Director or Officer from servicing the Association as agent, counsel, or in any capacity other than as Director or Officer, and receiving compensation for such services.

Section 5.5. Indemnification of Corporate Agents. The Association shall indemnify any present or former Director, Officer, employee or other agent of the Association to the fullest extent authorized under California Corporations Code Section 7237, or any successor statute, including, but not limited to, indemnification for claims for personal injury and/or property damage claims arising from either passive and/or active negligence, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was entitled to indemnification under this provision.

Section 5.6. Volunteer Officers and Directors/Limitation of Liability. In accordance with Section 5800, the following provisions shall apply with regard to the volunteer Officers and Directors of the Association:

(a) A volunteer Officer or volunteer Director of the Association shall not be personally liable in excess of the coverage of insurance specified in subparagraph (iv) below to any person who suffers injury, including, but not limited to, bodily injury, emotional distress, wrongful death, or property damage or loss as a result of the tortious act or omission of the volunteer Officer or volunteer Director if all of the following criteria are met:

- (i) The act or omission was performed within the scope of the Officer's or Director's Association duties;
- (ii) The act or omission was performed in good faith;
- (iii) The act or omission was not willful, wanton, or grossly negligent;

(iv) The Association maintained and had in effect at the time the act or omission occurred, and at the time a claim is made, one or more policies of insurance which shall include coverage for (a) general liability of the Association, and (b) individual liability of Officers and Directors of the Association for negligent acts or omissions in that capacity; provided, that both types of coverage are in the following minimum amount:

(A) At least five hundred thousand dollars (\$500,000.00) per occurrence if the Project consists of one hundred (100) or fewer Separate Interests.

(B) At least one million dollars (\$1,000,000.00) per occurrence if the Project consists of more than one hundred (100) Separate Interests.

(b) The payment of actual expenses incurred by a Director or Officer in the execution of the duties of that position does not affect the Director's or Officer's status as a volunteer within the meaning of this Section.

(c) An Officer or Director who at the time of the act or omission was a declarant, as defined in subdivision (g) of Section 4130, or who received either direct or indirect compensation as an employee from the Declarant, or from a financial institution that purchased a Separate Interest at a judicial or nonjudicial foreclosure of a mortgage or deed of trust on real property, is not a volunteer for the purposes of this Section.

(d) Nothing in this Section shall be construed to limit the liability of the Association for its negligent act or omission or for any negligent act or omission of an Officer or Director of the Association.

(e) This Section shall only apply to a volunteer Officer or Director who is a tenant of a Separate Interest in the Project or is an Owner of no more than two Separate Interests in the Project.

(f) For purposes of subparagraph (i) of subparagraph (a) above, the scope of the Officer's or Director's Association duties shall include, but shall not be limited to, both of the following decisions:

(i) Whether to conduct an investigation of the Project for latent deficiencies prior to the expiration of the applicable statute of limitations.

(ii) Whether to commence a civil action against the builder for defects in design or construction.

Section 5.7. Records. The Board shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of

Members or at any special meeting where such statement is requested in writing by one-fourth (1/4) of the Members entitled to vote thereat in accordance with Section 8.1(a)(x) below.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 6.1. Nomination and Election of Directors. Elections of members of the Board of Directors shall be held by secret ballot in accordance with the procedures set forth in Section 5115. The Board or a nominating committee established by the Board may propose the nomination of any Member as a candidate. If appointed, the nominating committee shall consist of a chairman, who shall be a member of the Board, and two (2) or more Members, and the nominating committee shall be appointed not less than ninety (90) days prior to the annual meeting, to serve until the close of such annual meeting. No less than sixty (60) days before a scheduled election to the Board of Directors, nominations for election to the Board of Directors shall be made by a nominating committee appointed by the Board. The Board shall send a written notice of all persons nominated to all Members not less than thirty (30) days before the scheduled election. Any Member shall submit nominations for such election in accordance with the Election Rules. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. The Board or the nominating committee shall notify each Member of the pending election before ballots are distributed. Any Member may nominate any other Member or may nominate himself or herself as a candidate by sending written notice to the Board. Notices to the Members of the election shall include the names of all those who are nominees at the time the notices are sent. Only Members who are in good standing as described in Section 4.11 and Section 4.12. above may be candidates for election to the Board; provided, however, that persons nominated or appointed by Declarant may include nonmembers so long as any Class B memberships remain outstanding. So long as there are Class B memberships remaining in the Association, not less than twenty percent (20%) of the members of the Board shall be elected solely by the vote of Class A members.

Section 6.2. Rules and Procedures for Elections. The Board shall adopt rules and procedures for the conduct of elections ("Election Rules"), which shall be Operating Rules pursuant to Section 4355(a)(7), and the election shall be conducted in accordance with the Election Rules.

(a) The Election Rules shall comply with all of the requirements of Sections 5100 through 5145 of the Act, as amended from time to time. In the event of a conflict between the provisions of the Act and the Nonprofit Mutual Benefit Corporation Law, commencing with Section 7110 of the Corporations Code, relating to elections, the provisions of Sections 5100 through 5145 of the Act shall apply.

(b) All candidates shall have reasonable opportunity to communicate their qualifications to all Members and to solicit votes in accordance with the provisions of Section 5105 and the Election Rules.

(c) Notwithstanding Sections 7513 and 7615(b) of the Corporations Code, cumulative voting for Directors may be conducted by secret ballot pursuant to Section 5115(c) of the Act. Every Member entitled to vote at any election of Directors in which more than two (2) Directors are to be elected, shall have the right to cumulate his votes and give one candidate a number of votes equal to the number of Directors to be elected, multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he desires. The nominees receiving the largest number of votes, up to the number of vacancies to be filled, shall be elected as Directors.

(d) If at any election of Directors the number of candidates nominated on the date set for close of nominations for open seats equals the number of Director seats then up for election, then the Inspector of Election may declare that the nominees have been elected by acclamation and dispense with the requirement and the expense of mailing, counting and tabulating the ballots cast for the election, and such election by acclamation shall be deemed to satisfy the obligations and requirements of Sections 5110, 5115 and 5120, and secret ballots shall not be required in that situation.

ARTICLE VII

BOARD MEETINGS

Section 7.1. Common Interest Development Open Meeting Act. Meetings of the Board are governed by Sections 4900 through 4955. Sections 4900 through 4955 are known and may be cited as the "Common Interest Development Open Meeting Act." In the event Sections 4900 through 4955 or any other applicable California code sections referred to in this Article VII should be updated or revised, the reference to that Code section, or sections, should automatically refer to and mean the updated and revised Code sections. This Article VII is intended to comply with Section Sections 4900 through 4955, but in the event of any inconsistency between this Article VII and Sections 4900 through 4955, Sections 4900 through 4955 shall govern.

Section 7.2. Open Meetings. All meetings of the Board shall be open to all Members, except when the Board adjourns to, or meets solely in, executive session (as described in Section 7.11 below). The Board of Directors shall permit any Member of the Association to speak at any meeting of the Association or the Board, except for meetings of the Board held in executive session. However, the Board shall establish a reasonable time limit for Members to speak to the Board or before a meeting of the Association, and shall permit any Member of the Association to speak at any such meeting, except for meetings of the Board held in executive session, within such time limit. Should a Board meeting be conducted by teleconference, Members of the Association shall be entitled to attend any such teleconference meeting, or a portion of a teleconference meeting that is not in executive session and is thus open to Members, and that meeting or portion of the meeting shall be audible to the Members in a location specified in the notice of the meeting as described in Section 7.12 below.

Section 7.3. Quorum. A majority of the number of Directors as fixed by these Bylaws shall constitute a quorum for the transaction of business. Every act or decision made or done by a

majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board.

Section 7.4. Organizational Meeting. Immediately following each annual meeting of the Members, the Board shall hold a regular Board meeting for the purpose of organization, election of Officers, and the transaction of other business. Notice shall be posted and communicated to the Directors and Members in the manner prescribed for notice of regular meetings of the Board given by General Delivery pursuant to Section 4045 at least four (4) days prior to the meeting. The notice shall specify the time and place of the meeting and the nature of any special business to be considered and shall contain the agenda for the meeting. Such notice may accompany the notice of the annual meeting of the Members which precedes such organizational meeting of the Board.

Section 7.5. Regular Meetings. Regular meetings of the Board shall be held monthly, or at least quarterly at such place and hour within the Project as may be fixed from time to time by resolution of the Board. If a larger meeting room is required than exists within the Project, the Board shall select a room as close as possible to the Project. Should said meeting fall upon a legal holiday, then said meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday.

Section 7.6. Notice of Regular Meeting. Notice of the time and place of a Board meeting (as "meeting" is defined in Section 7.17 below), except for an emergency meeting or a meeting that will be held solely in executive session, shall be given by General Delivery pursuant to Sections 4050 and 4920, and shall be communicated to Directors and Members of the Association not less than four (4) days prior to the meeting. Such notice shall be given by Individual Notice to any Member who had requested notification of Board meetings by Individual Notice pursuant to Section 5260(c). The notice shall contain the agenda for the meeting. Notice of any meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. (If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means under Sections 4040 or 4045 it deems appropriate.)

Section 7.7. Electronic Notice to Members. Electronic transmissions may be used to communicate with Members who have provided an unrevoked consent to the use of such means of transmissions for communications, which consent to the transmission has been preceded by or includes a clear written statement as to any right of the recipient to have the record provided or made available on paper or in non-electronic form. Notice of meetings and other communications sent to Members in electronic form in accordance with Section 4040(a)(2) are subject to Corporations Code Section 20 and the applicable provisions of Corporations Code Section 7511(b).

Section 7.8. Agenda. In accordance with Civil Code Section 4930, the following applies to agenda items heard before the Board:

(a) Except as described in subparagraphs (b) (ii) through (iv), inclusive, below, the Board of Directors of the Association may not discuss or take action on any item at a non-emergency meeting unless the item was placed on the agenda included in the notice that was posted and distributed pursuant to Section 7.6, above. This Section does not prohibit a Member who is not a Director from speaking on issues not on the agenda.

(b) Notwithstanding subparagraph (a) above, a Director, a Managing Agent or other agent of the Board of Directors, or a member of the staff of the Board, may do any of the following:

- (i) Briefly respond to statements made or questions posed by a Member speaking at a meeting as described in subparagraph (a) above.
- (ii) Ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities, whether in response to questions posed by a Member or based upon his or her own initiative.
- (iii) Notwithstanding subparagraph (a) above, the Board or any Director, subject to rules or procedures of the Board, may do any of the following:
 - (A) Provide a reference to, or provide other resources for factual information to, its Managing Agent or other agents or staff.
 - (B) Request its Managing Agent or other agents or staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct its Managing Agent or other agents or staff to place a matter of business on a future agenda.
 - (C) Direct its Managing Agent or other agents or staff to perform administrative tasks that are necessary to carry out the provisions of Section 4930(c).
- (iv)
 - (A) Notwithstanding subparagraph (a) above, the Board may take action on any item of business not appearing on the agenda posted and distributed pursuant to Section 7.6 above under any of the following conditions:
 - (1) Upon a determination made by a majority of the Board of Directors present at the meeting that an emergency situation exists. An emergency situation exists if there are circumstances that could not have

been reasonably foreseen by the Board, that require immediate attention and possible action by the Board, and that, of necessity, make it impracticable to provide notice.

- (2) Upon a determination made by the Board by a vote of two-thirds (2/3rds) of the Directors present at the meeting, or, if less than two-thirds (2/3rds) of total membership of the Board is present at the meeting, by a unanimous vote of the Directors present, that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda was posted and distributed pursuant to Section 7.6 above.
- (3) The item appeared on an agenda that was posted and distributed pursuant to Section 7.6 for a prior meeting of the Board that occurred not more than thirty (30) calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action was taken.

- (B) Before discussing any agenda item, the Board shall openly identify the item to the Members in attendance at the meeting.

Section 7.9. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association or by any two (2) Directors. Notice shall be communicated to the Members in the manner prescribed for notice of regular meetings and shall be sent to all Directors and Members at least four (4) days prior to the meeting. The notice shall specify the time and place of the meeting and the nature of any special business to be considered and shall contain the agenda for the meeting.

Section 7.10. Emergency Meetings. An emergency meeting of the Board of Directors may be called by the President, or by any two (2) Directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide the notices required by Section 7.6, above. Notice to Members of an emergency meeting is not required. Electronic transmissions may be used as a method of conducting an emergency meeting if all members of the Board, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the meeting of the Board. Written consent to conduct an emergency meeting may be transmitted electronically.

Section 7.11. Executive Session. The Board may, with approval of a majority of Directors present at a meeting in which a quorum for the transaction of business has been

established, or, if all Directors are present, by a majority vote of the Directors, adjourn a meeting and reconvene in executive session, or meet solely in executive session, to discuss and vote upon litigation, matters relating to the formation of contracts with third parties, Member discipline, personnel matters, or to meet with a Member, upon the Member's request, regarding the Member's payment of assessments, as specified in California Civil Code Sections *Section 5655*. The nature of any and all business to be considered in executive session shall first be announced in open session of the meeting to be adjourned. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership. The Board shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member affected shall be entitled to attend the executive session. The Board may hold an executive session emergency meeting if circumstances require, as authorized by Section 7.10 above. Except for an emergency meeting, Members shall be given notice of the time and place of a meeting that will be held solely in executive session at least two (2) days prior to the meeting in the same manner as notice given for a regular meeting.

Section 7.12. Teleconference Meetings. Notwithstanding Section 7211 of the Corporations Code, the Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except a teleconference meeting, as described in Section 7.17(b) below, so long as all of the following conditions apply:

(a) Where a sufficient number of Directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video or both;

(b) The teleconference meeting is conducted in a manner that protects the rights of Members of the Association and otherwise complies with the requirements of the Common Interest Development Open Meeting Act;

(c) Except for a meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that Members of the Association may attend and at least one Board member shall be present at that location;

(d) Participation by Directors in a teleconference meeting constitutes presence at that meeting as long as all Directors participating in the meeting are able to hear one another and hear Members of the Association speaking on matters before the Board.

(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 Association.

(f) The Board adopts and implements some means of verifying both of the following:

(i) A person participating in the meeting is a Director or other person entitled to participate in the Board meeting;

- (ii) All actions of, or votes by, the Board are taken or cast only by the Directors and not by persons who are not Directors.

Arrangements shall be made to assure that any teleconference meeting is audible to the Members in a location specified in the notice of the meeting. The minutes of the meeting shall state that those participating in the meeting were recognized to be Directors or other persons authorized to participate in the meeting.

Section 7.13. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice. Notwithstanding the foregoing, Members of the Association shall be given notice of the time and place of any meeting of the Board, except for an emergency meeting or a meeting that will be held solely in executive session, in the same manner as required for a regular meeting of the Board.

Section 7.14. Adjournment. A quorum of the Directors may adjourn any Board meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, the majority of the Directors present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 7.15. Notice of Adjourned Meeting. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment, and shall be delivered to all Members by General Notice, or by Individual Notice if requested by the Member. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the time and place of such meeting by any means it deems appropriate.

Section 7.16. No Action Without Meeting. The Board shall not take action on any "item of business" outside of a "meeting." Notwithstanding Section 7211 of the Corporations Code, the Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except for emergency meetings as described in Section 7.10 above. As used in this Section, (a) "item of business" means any action within the authority of the Board, except those actions that the Board has validly delegated to any other person or persons, Managing Agent, officer of the Association, or committee of the Board comprising less than a majority of the Directors, and (b) "meeting" means a meeting as defined in Section 7.17 below. If the Board resolves by unanimous written consent to take any action as a result of an emergency meeting or other limited action as authorized by the Governing Documents, an explanation of the action shall be sent to each Member by General Notice, or Individual Notice if requested by the Member, within three days after the written consents of all Board members have been obtained.

Section 7.17. Definition of Board Meeting. Pursuant to Civil Code Section 4090, a "meeting" of the Board includes either of the following:

(a) A congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business that is within the authority of the Board.

(b) A teleconference where a sufficient number of Directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video or both. A teleconference meeting shall be conducted in a manner that protects the rights of Members of the Association and otherwise complies with the requirements of Section 4090. Except for a meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that Members of the Association may attend and at least one member of the Board of Directors shall be present at that location. Participation by Board members in a teleconference meeting constitutes presence at that meeting as long as all Board members participating in the meeting are able to hear one another and hear Members of the Association speaking on matters before the Board.

Section 7.18. Availability and Distribution of Minutes. The minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be distributed by General Notice to the Members of the Association, or Individual Notice if requested by the Member, within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall also be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs for making that distribution, pursuant to Section 4950. The Annual Policy Statement, prepared pursuant to Section 5310, shall inform the Members of their right to obtain copies of Board meeting minutes and of how and where to do so.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 8.1. Powers and Duties. In addition to or in accordance with the powers and duties of the Board described in the Governing Documents, and subject to limitations contained in the Governing Documents, the Act, and the Nonprofit Mutual Benefit Corporation Law concerning actions requiring approval or authorization by the Members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by the Board.

(a) Duties. The Board shall undertake and fulfill the financial duties required by Sections 5500 through 5570 (and 5580, if applicable), and the annual reporting and notice requirements of Sections 5300 through 5320, as more fully described in ARTICLE X11 of these Bylaws, as well as all other duties described in the Governing Documents, including without limitation, the following:

- (i) Adopt Policies. The Board shall adopt policies of the Association which shall consist of resolutions adopted by the Board that fulfill the purposes of the Association. The policies will serve the membership and management as the statement of the specific objectives and purposes for which the Association exists.
- (ii) Oversight and Review of Administration of Association Affairs. The Board shall review and direct the Officers and Managing Agent of the Association to assure that the policies of the Association are being accomplished in a reasonable and prudent manner and that the requirements for operation and maintenance of the Project as set forth in the Governing Documents and the laws applicable to the Project are fulfilled to the extent reasonable and appropriate.
- (iii) Selection of Officers, Committees, Agents and Employees. The Board shall select, appoint and remove all Officers, committees, agents and employees of the Association, and prescribe such powers and duties for them as may be consistent with law and the Governing Documents.
- (iv) Supervision. The Board shall supervise all Officers, committees, agents and employees of the Association to see that their duties are properly performed.
- (v) Enforcement. The Board shall enforce the Governing Documents, including the Association Rules, consistent with law and the Governing Documents.
- (vi) Assessments. The Board shall fix, levy, collect and enforce Assessments consistent with law and the Governing Documents, including, without limitation, the provisions of Articles VI and VII of the Declaration.
- (vii) Inspection and Maintenance. The Board shall perform or supervise the inspection and maintenance of the Project and the Common Area, and, if applicable, the Association Maintenance Area, in the manner described in the Declaration, but subject to the limitations on the power of the Board specifically described therein and in these Bylaws.
- (viii) Insurance. The Board shall maintain insurance as required by the Declaration, and shall prepare and distribute annually to the Members the summaries of the Association's insurance policies as required by Section 12.2(i), below.

- (ix) Financial and Notice Requirements. The Board shall assure compliance with the financial and notice requirements as set forth in the Act, the Declaration and ARTICLE XII of these Bylaws.
- (x) Records. The Board shall cause to be kept a complete record of all the acts and affairs of the Board and the Association and to present a statement thereof to the Members at the annual meeting of Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members, and to keep adequate and correct books and records of account, minutes of proceedings of the Members, the Board and committees, and a record of the Members, including their names and addresses and classes of membership.

(b) Powers. The Board of Directors shall have the powers as described in the Governing Documents, including, without limitation, the following powers:

- (i) Manager. Employ a Managing Agent and to delegate the management activities of the Association to any such Managing Agent, provided, however, that the activities and affairs of the Association shall be directed, overseen and managed, and the corporate powers exercised, under the ultimate direction of the Board.
- (ii) Adoption of Rules. Adopt Rules Operating Rules in accordance with the Declaration and these Bylaws.
- (iii) Fines and Discipline. Impose fines or discipline for violations of the Governing Documents and Operating Rules after notice and hearing as provided in Section 3.4 of these Bylaws.
- (iv) Discharge Liens. Discharge by payment, if necessary, any lien against the Common Area and, if applicable, assess the cost thereof to the Member or Members responsible for the existence of the lien (after notice and hearing as required by these Bylaws).
- (v) Pay Expenses. Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.
- (vi) Trustee. Appoint a trustee to enforce assessment liens by power of sale as provided in the Declaration and Section 5675.
- (vii) Contracts. Contract for goods and/or services for the Common Areas, facilities and interests or for the Association in accordance with the Governing Documents, including, without limitation,

Section 8.2 below, subject to the limitations set forth in Sections 8.6 and 8.7 of the Declaration.

- (viii) Delegation. Delegate certain of its powers to committees, officers, employees or a Managing Agent as authorized by the Governing Documents, including, without limitation, Section 8.3 below.
- (ix) Dissolution. Upon dissolution of the Association (subject to Corporations Code Section 8724), to distribute Association assets according to Corporations Code Sections 8713-8720, as amended.

Section 8.2. Contracts. Except as otherwise provided in these Bylaws or the Declaration, the Board may authorize any Officer(s) or agent(s) to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no Officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. Notwithstanding any other law or provision of the Governing Documents, the provisions of Section 310 of the Corporations Code (which relates to contracts in which a director has a material financial interest) shall apply to any contract or other transaction authorized, approved, or ratified by the Board or a committee of the Board.

(a) Conflicts of Interest, Interested Director or Committee Member. Notwithstanding any other law, the provisions of Sections 7233 and 7234 of the Corporations Code (which relates to contracts in which a director has a material financial interest) shall apply to any contract or other transaction authorized, approved, or ratified by the Board or a committee of the Board. A Director or member of a committee shall not vote on any of the following matters: (1) discipline of the Director or committee member; (2) an assessment against the Director or committee member for damage to the Common Area or Improvements; (3) a request, by the Director or committee member, for a payment plan for overdue assessments; (4) a decision whether to foreclose on a lien on the Separate Interest of the Director or committee member; (5) review of a proposed physical change to the Separate Interest of the Director or committee member; (6) a grant of Exclusive Use Common Area to the Director or committee member.

Section 8.3. Delegation. In delegating its authority and powers to Officers or employees of the Association or to a Managing Agent employed by the Association, the Board may not delegate the authority: (i) to make expenditures for capital additions or improvements chargeable against the reserve funds; (ii) to conduct hearings concerning compliance by an Owner or Occupant with the Declaration or Association Rules promulgated by the Board; (iii) to make a decision to levy monetary fines, impose Special Assessments against individual Lots temporarily suspend an Owner's rights as a Member of the Association or otherwise impose discipline following any such hearing; (iv) to make a decision to levy annual or Special Assessments; or (v) to make a decision to bring suit, record a claim of lien (a "Notice of Delinquent Assessment" as defined in the Declaration), or institute foreclosure proceedings for default in payment of Assessments. Any delegation shall be revocable by the Board at any time. The members of the Board, individually or collectively, shall not be liable for any omission or

improper exercise by the Managing Agent of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

Section 8.4. Prohibited Acts. The Board shall not take the prohibited actions described in Section 8.6 of the Declaration and shall not enter into any contract described in Section 8.7 of the Declaration, except as may otherwise be allowed under said Sections 8.6 and 8.7.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 9.1. Officers. The Officers of the Association shall be a President and Vice President, who shall at all times be Directors, a Secretary, and a Chief Financial Officer (who may, but need not be Directors), and such other officers as the Board may from time to time by resolution establish.

Section 9.2. Election. The Officers of the Association shall be elected by the Board at the first meeting of the Board following each annual meeting of the Members and shall hold office at the pleasure of the Board.

Section 9.3. Term. The Officers of the Association, other than interim Officers, shall be appointed annually by the Board and each shall hold office for one (1) year unless he sooner resigns, is removed, or is found by the Board to be disqualified to serve.

Section 9.4. Special Appointments. The Board may elect such interim or other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 9.5. Resignation and Removal. Any Officer may be removed from office (but not from the Board, if the officer is also a Board member) by the Board with or without cause. Any Officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The Officer appointed to such vacancy shall serve for the remainder of the term of the Officer he replaces.

Section 9.7. Multiple Offices. The offices of Secretary and Chief Financial Officer may be held by the same person. No person shall simultaneously hold more than one of the other offices except in the case of special offices created pursuant to Section 9.4 above.

Section 9.8. Duties. The duties of the Officers shall be as follows:

(a) President. The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are communicated to the Managing Agent (if any)

and carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

(b) Vice President. The Vice President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep the corporate seal of the Association and affix it to all papers requiring such seal; keep appropriate current records showing the Members of the Association, together with their addresses and telephone numbers, and shall perform such other duties as may be required by the Board.

(d) Chief Financial Officer. The Chief Financial Officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall sign all promissory notes of the Association; shall keep proper books of account; shall prepare and distribute budgets and financial statements to each Member as required under these Bylaws and by applicable laws.

ARTICLE X

COMMITTEES

Section 10.1. Architectural and Nominating Committees. An Architectural Committee may be appointed as provided in the Declaration and a Nominating Committee may be appointed as provided in Section 6.1 of these Bylaws.

Section 10.2. Other Committees. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

Section 10.3. Limitations on Committees. No committee, regardless of Board resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California, also requires Members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees of the Board of Directors or the members of those committees; (f) approve any transaction to which the Association is a party and in which one (1) or more Directors have a material financial interest.

Section 10.4. Purpose of Committees. The purpose of all committees shall be to assist the Board of Directors in the development of policies and to assist in the oversight and assessment of the Association policies. No committee shall be assigned, delegated or chartered in any manner which would authorize them to take final action in the name of the Association. No committee, officer of a committee or member of the committee shall take any action that is

assigned to the President or other Officers of the Association. All committees shall report to the Board and shall serve at the pleasure of the Board. Committees of the Board shall not have authority to direct contractors, employees, agents or Officers of the Association.

ARTICLE XI

BOOKS AND RECORDS

Section 11.1. Inspection by Members. The financial records and reports; executed contracts not privileged under law; written Board approval of vendor or contractor proposals or invoices; state and federal tax returns; reserve account balances and records of payments; agendas and minutes of meetings of Members, the Board and any committees appointed by the Board (except executive committee agendas and minutes); membership lists; check registers; Governing Documents; accountings of reserve funds used for litigation; and "enhanced association records" (invoices, receipts, canceled checks, etc.), all defined as "association records" in Section 5200, shall be made available for inspection and copying by any Member or the Member's designated representative at any reasonable time, and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

(a) Time Periods for Providing Records. Minutes of Member and Board meetings are subject to Member inspection permanently. All other Association records are subject to Member inspection for the current fiscal year and for each of the previous two fiscal years. The Association must make its records available to Members within the time periods specified in Section 5210.

(b) Withholding and Redaction. The Association may withhold or redact information in accordance with Section 5215.

(c) Draft Minutes. Minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be provided to the Members in accordance with Section 7.18 above.

(d) Membership Lists. A Member may opt out of the sharing of that Member's name, property address and mailing address by notifying the Association in writing that the Member prefers to be contacted via the alternative process described in subdivision (c) of Section 8330 of the Corporations Code, which opt-out shall remain in effect until changed by the Member. A Member requesting the membership list shall state the purpose for which the list is requested, which purpose shall be reasonably related to the requester's interest as a Member. If the Association reasonably believes that the information in the list will be used for another purpose, it may deny the Member access to the list in accordance with Section 5225.

(e) Exception While Public Report In Effect. Except for a common interest development in which Separate Interests are being offered for sale under a Public Report as described in Section 5240(d), "association records" and "enhanced association records" (as defined in Section 5200) shall be made available by the Association for inspection and copying by

the Members in accordance with the provisions of Sections 5200 through 5240 of the Act. In accordance with Section 5240(d), so long as Separate Interests are being offered for sale by the Declarant, or Declarant's affiliates, successors and assigns, under the authority of a Public Report, the Declarant, or Declarant's affiliates, successors and assigns, are not required to make the Association's records available for Member inspection until a majority of the Board is comprised of Members of the general public who own Separate Interests or 10 years have elapsed since the sale of the first Separate Interest to a Member of the general public in the first phase of the Project, whichever occurs first

Section 11.2. Rules for Inspection [Requests and Requests to Change to Association Records]. The Board shall establish reasonable rules with respect to: (i) notice to be given to the custodian of records by the Member desiring to make the inspection; (ii) hours and days of the week when such an inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by the Member. Notwithstanding the foregoing, in accordance with Section 5260, to be effective, any of the following requests shall be delivered in writing to the Association, to the person designated in the Annual Policy Statement to receive documents on behalf of the Association, pursuant to Section 4035: (a) to change the Member's information in the Association's membership list; (b) to add or remove a second address for delivery of Individual Notices; (c) for Individual delivery of General Notices, or request to cancel a prior request for Individual Delivery of General Notices; (d) to opt out of the membership list; (e) to receive a full copy of an Annual Budget Report or Annual Policy Statement; and/or (f) to receive all reports in full or a request to cancel a prior request to receive all reports in full.

Section 11.3. Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents, at the expense of the Association.

Section 11.4. Documents Provided to Prospective Purchasers. Each Owner of a Lot (except an Owner subject to the requirements of Section 11018.6 of the California Business and Professions Code) is required, pursuant to 4525, to provide prospective purchasers with certain Association documents. In order to provide such documents to a prospective purchaser, the Owner will first request them from the Association. Upon written request from an Owner, the Association, through the Managing Agent, or if there is no Managing Agent, through the Secretary, shall, within ten (10) days of the mailing or delivery of such request, provide the Owner of a Lot (or any other recipient authorized by the Owner) with a copy of the requested documents as specified in paragraphs (1) to (10) inclusive, of Section 4525,. Upon receipt of a written request, the Association shall provide, on the form described in Section 4528, a written or electronic estimate of the fees that will be assessed for providing the requested documents. The documents required to be made available pursuant to Section 4525, may be maintained in electronic form, and may be posted on the Association's Internet Web site. Requesting parties shall have the option of receiving the documents by electronic transmission if the Association maintains the documents in electronic form. The Association may collect a reasonable fee based upon the Association's actual cost for the procurement, preparation, reproduction, and delivery of the documents requested. No additional fees may be charged by the Association for the electronic delivery of the documents requested. Delivery of the requested documents shall not be

withheld for any reason nor subject to any condition except the payment of the reasonable fee described above as allowed under Section 4530. The Association may contract with any person or entity to facilitate compliance with the requirements of Section 4530, on behalf of the Association. The Association shall also provide a recipient authorized by the Owner with a copy of the completed form specified in Section 4528 at the time the required documents are delivered. Fees for any documents required by Section 4528 shall be distinguished from other fees, fines, or assessments billed as part of the transfer or sales transaction. The Association may not impose or collect any other assessment, penalty or fee in connection with a transfer of title or any other interest except an amount not to exceed its actual costs to change its records.

Section 11.5. Association Records Received from Declarant. Declarant is obligated to provide certain documents to the Association as described below. All such documents received from Declarant shall become records of the Association.

(a) Initial Phase. Commencing not later than ninety (90) days after the close of escrow of the first Lot in the initial Phase of the Project, copies of the documents listed below, as soon as readily available, shall be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board may prescribe. The obligation to deliver the documents listed below shall apply to any documents obtained by Declarant at any time, provided, however, that such obligation shall terminate upon the earlier of (i) the conveyance of the last Lot in the Project, or (ii) three (3) years after the expiration of the most recent Public Report on the Project:

- (i) The recorded subdivision map or maps for the Project;
- (ii) The recorded condominium plan, if any, and all amendments thereto;
- (iii) The deeds and easements executed by Declarant conveying the Common Area or other interest to the Association, to the extent applicable;
- (iv) The recorded Master Declaration of Covenants, Conditions and Restrictions for the Project, including all amendments and annexations thereto;
- (v) The Association's filed Articles of Incorporation, if any, and all amendments thereto;
- (vi) The Association's Bylaws, and any amendments thereto;
- (vii) All architectural guidelines and all other rules regulating the use of an Owner's Separate Interest in the Project, or the use of the Common Area, which have been promulgated by the Association;
- (viii) The plans approved by the local agency or county where the Project is located for the construction or improvement of facilities that the

Association is obligated to repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy;

- (ix) All notice of completion certificates issued for the Common Area improvements (other than residential structures);
- (x) Any bond or other security device in which the Association is the beneficiary;
- (xi) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements;
- (xii) Any insurance policy procured for the benefit of the Association, the Board or the Common Area;
- (xiii) Any lease or contract to which the Association is a party;
- (xiv) The membership register, including mailing addresses and telephone numbers, books of account, the current financial information and related statements as specified Sections 5300 and 5565 and minutes of meetings of the Members, of the Board, and of any committees of the Board;
- (xv) Any instrument referred to in Business and Professions Code Section 11018.6(d) but not described above, which establishes or defines the common, mutual or reciprocal rights or responsibilities of the Members.

(b) Subsequent Phases. Commencing not later than ninety (90) days after the annexation of additional Phases, copies of those documents listed in Section 11.5(a) above which are applicable to the particular annexed Phase, shall, as soon as readily available, be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the documents listed above in Section 11.5(a) shall apply to any documents obtained by the Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (a) the conveyance of the last Lot in the Project covered by a Public Report, or (b) three (3) years after the expiration of the most recent Public Report on the Project.

ARTICLE XII

FINANCIAL AND REPORTING REQUIREMENTS

Section 12.1. Budgets, Summaries, Financial Statements and Reports. The Association shall cause to be prepared and distributed budgets, summaries, financial statements and reports to each Member as required by Sections 5300 through 5320 and Sections 5500 through 5580 of the Act and the California Corporations Code Sections applicable to Common Interest Development Associations. Those documents include, without limitation, the following:

Section 12.2. Annual Budget Report. Notwithstanding a contrary provision in the Governing Documents, the Association shall distribute an Annual Budget Report, thirty (30) to ninety (90) days before the end of its fiscal year. The Annual Budget Report shall include all of the following information:

- (a) A proforma operating budget, showing the estimated revenue and expenses on an accrual basis.
- (b) A summary of the Association's reserves, prepared pursuant to Section 5565.
- (c) A summary of the reserve funding plan adopted by the Board as specified by Section 5550(b)(5), which shall include a notice to Members that the full reserve study plan is available upon request.
- (d) A statement as to whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for the deferral or decision.
- (e) A statement as to whether the Board has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall set out the estimated amount, commencement date and duration of the Assessment.
- (f) A statement as to the mechanism by which the Board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.
- (g) 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. The statement shall include, but need not be limited to, reserve calculations made using the formula described in Section 5570(b)(4), and may not assume a rate of return on cash reserves in excess of 2 percent (2%) above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(h) A statement as to whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(i) A summary of the Association's property, general liability, earthquake, flood and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it with the Annual Budget Report. The summary shall contain, in at least 10-point boldface type, the following statement:

"This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association'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. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

If any of the policies described in the Annual Budget Report 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, the Association shall, as soon as reasonably practicable, provide Individual Notice to all Members. If the Association receives any notice of nonrenewal of a policy described in the Annual Budget Report, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse, pursuant to Section 5810.

(j) The Annual Budget Report, or a summary of it, shall be made available to the Members, pursuant to Section 5320, and shall be accompanied by the form entitled "Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending _____," as required by and calculated in accordance with Section 5570.

Section 12.3. Review of Financial Statement. Pursuant to Section 5305, a review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00).

A copy of the review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year, by Individual Delivery.

Section 12.4. Annual Policy Statement. Within thirty (30) to ninety (90) days before the end of the fiscal year, the Board shall distribute an Annual Policy Statement (or summary thereof, as described below) that provides the members with information about the Association's policies. The Annual Policy Statement shall include all of the following information:

- (a) The name and address of the person designated to receive official communications to the Association, pursuant to Section 4035.
- (b) A statement explaining that a Member may submit a request to have notices sent to up to two different specified addresses, in accordance with the Individual Notice provisions, pursuant to Section 4040(b).
- (c) The location, if any, designated for posting of a General Notice, pursuant to Section 4045(a)(3).
- (d) Notice of a Member's option to receive General Notices by Individual delivery, pursuant to Section 4045(b).
- (e) Notice of a Member's right to receive copies of meeting minutes, pursuant to Section 4950(b).
- (f) The Statement of Assessment collection policies required by Section 5730.
- (g) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments.
- (h) A statement describing the Association's discipline policy, if any, including any schedule of penalties for violations of the Governing Documents, pursuant to Section 5850.
- (i) A summary of dispute resolution procedures, pursuant to Sections 5920 and 5965.
- (j) A summary of any requirements for Association approval of a physical change to property, pursuant to Section 4765.
- (k) The mailing address for overnight payment of Assessments, pursuant to Section 5655.
- (l) Any other information that is required by law or the Governing Documents or that the Board determines to be appropriate for inclusion.

Section 12.5. Delivery to Members of Full Annual Budget Report and Annual Policy Statement or Summaries. When an Annual Budget Report or Annual Policy Statement is

prepared, the Association shall deliver either the full report or statement, or a summary of one or both, to all Members by Individual Delivery, pursuant to Section 5320. If a summary of a report or statement is sent, it shall include a general description of content of the report or statement. Instructions on how to request a complete copy of the report or statement, at no cost to the Member, shall be printed in at least 10-point boldface type on the first page of the summary. Notwithstanding the foregoing, if a Member has requested to receive all reports and statements in full, the Association shall deliver the full report and/or statement to that Member, rather than a summary of the report or statement.

Section 12.6. Board Review of Association Accounts. In accordance with Section 5500, the Board shall do all of the following:

- (a) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.
- (b) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis.
- (c) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.
- (d) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.
- (e) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

Section 12.7. Use of Reserve Funds. The signatures of at least two persons, who shall be Directors, or one Officer who is not a Director and one who is a Director, shall be required for the withdrawal of moneys from the Association's Reserve accounts. The Board shall not expend funds designated as Reserve Funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components or Improvements that the Association is obligated to repair, restore, replace or maintain and for which the Reserve Fund was established, pursuant to Section 5510.

Section 12.8. Temporary Transfer of Reserve Funds. Notwithstanding Section 12.7, above, and Section 5510, the Board may authorize the temporary transfer of moneys from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses, if the Board has provided notice of the intent to consider the transfer in a Board meeting notice provided pursuant to Section 7.6 of these Bylaws and Section 4920. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a Special Assessment may be considered. If the Board authorizes the transfer, the board shall issue a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the Reserve Fund. The transferred funds shall be restored to the Reserve Fund within one year of the

date of initial transfer, except that the Board may, after giving the same notice required for considering a transfer and upon making a finding supported by documentation that temporary delay would be in the best interests of the Project, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the Reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by Section 5515. This Special assessment is subject to the limitation imposed by Section 5606. The Board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

Section 12.9. Use of Reserve Funds for Litigation. When the decision is made to use Reserve Funds or to temporarily transfer moneys from the Reserve Fund to pay for litigation pursuant to 5510(b), the Association shall provide General Notice to the Members of that decision, and the availability of an accounting of those expenses. The Association shall make an account of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office or pursuant to Section 5205.

Section 12.10. Visual Inspection of Major Components and Reserve Study. Pursuant to Section 5550, at least once every three years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the Association is obligated to repair, replace, restore, or maintain as a part of a study of the Reserve Fund requirements of the Project, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the Association, excluding the Association's Reserve Fund for that period (the "Reserve Study"). The Board shall review the Reserve Study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Fund Requirements as a result of that review.

(a) Identification of the major components that the Association is obligated to repair, replace, restore, or maintain, that, as of the date of the Reserve Study, have a remaining useful life of less than thirty (30) years.

(b) Identification of the probably remaining useful life of the components identified as of the date of the Reserve Study.

(c) An estimate of the cost of repair, replacement, restoration or maintenance of the components identified.

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified during and at the end of their useful life, after subtracting total Reserve Funds as of the date of the Reserve Study.

(e) A reserve funding plan that indicates how the Association plans to fund the contribution identified subsection (d), above, to meet the Association's obligation for the repair and replacement of all major components with an expected remaining life of thirty (30) years or

less, not including those components that the Board has determined will not be replaced or repaired ("Reserve Funding Plan").

Section 12.11. Reserve Funding Plan. The Reserve Funding Plan shall include a schedule of the date and amount of any change in Regular or Special Assessments that would be needed to sufficiently fund the Reserve Funding Plan. The Reserve Funding Plan shall be adopted by the Board at an open meeting before the membership of the Association pursuant to Section 4900 of the Act. If the Board determines that an Assessment increase is necessary to fund the Reserve Funding Plan, any increase shall be approved in a separate action of the Board that is consistent with the procedure described in the Declaration, pursuant to Section 5605.

Section 12.12. Summary of Association Reserves. Pursuant to Section 5565, the summary of the Association's Reserves, required by these Bylaws and Section 5300(b) of the Act, shall be based on the most recent Reserve Study conducted in accordance with Section 5550, shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type and shall 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 Reserve Study is prepared:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; (2) the current amount of accumulated cash reserves actually set to repair, replace, restore, or maintain major components; (3) if applicable, the amount of funds received from either a compensatory damage award or settlement to the Association from any person 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 of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the Reserve Study is prepared as separate line items under cash reserves. Instead of complying with the requirements set forth in this subparagraph (3), if the Association is obligated to issue a review of its financial statement pursuant to Section 12.3, of these Bylaws and Section 5305, the Association may include in the review a statement containing all of the information required by this paragraph.

(c) The percentage of the current amount of accumulated cash Reserves actually set aside equals the amount of the current estimated amount of cash Reserves necessary to repair, replace, restore, or maintain the major components.

(d) The current deficiency in Reserve Funding, if any, expressed on a per Unit basis. The figure shall be calculated by subtracting the percentage of the current amount of accumulated cash Reserves actually set aside from the amount of the current estimated amount of cash Reserves necessary to repair, replace, restore, or maintain the major components, and then dividing the result by the number of Separate Interests with the Association (except that if Assessments vary by the size or type of ownership interest, then the Association shall calculate the current deficiency in a manner that reflects the variation).

Section 12.13. Assessment and Reserve Funding Disclosure Summary. The Association shall prepare, or cause to be prepared, an Assessment and Reserve Funding Disclosure Summary, which shall contain all the disclosures required by Sections 5550 through 5570 of the Act, and which shall be prepared in the exact format of the form set forth in Section 5570, entitled "Assessment And Reserve Funding Disclosure Summary For The Fiscal Year Ending _____."

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Amendments. Prior to close of escrow on the sale of the first Lot, Declarant may amend these Bylaws (provided any amendment constituting a material change shall require approval by the Bureau of Real Estate). After sale of the first Lot, these Bylaws 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 Association which majority includes a majority of the votes or written consents of Members other than Declarant. Where the two-class voting structure is still in effect, the vote shall be of a majority of a quorum of each class of Members. However, the percentage of voting power necessary to amend a specific Section or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that Section. (Where such entity has jurisdiction, the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while Class B memberships exist.)

Section 13.2. Record of Amendments. Whenever an amendment or new Bylaw is adopted it shall be placed in the book of Bylaws in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

Section 13.3. Conflicts. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

Section 13.4. Fiscal Year. Unless the Board directs otherwise (by resolution of the Board at its first meeting), the fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 13.5. Information to be Submitted to Secretary of State. The Association shall submit biennial statements to the Secretary of State pursuant to Corporations Code Section 8210 and Section 1363.6 [5405]. Such statements shall be submitted on forms and subject to fees as prescribed by the Secretary of State. The Association shall notify the Secretary of State of any change in the street address of the Association's onsite office, if any, or of the responsible Officer or Managing Agent of the Association in the form and for a fee prescribed by the Secretary of State within sixty (60) days of the change.

Section 13.6. Joint Association Records and Meetings. If the Association should consolidate any of its functions with any other association under a joint neighborhood association or similar organization, members of each participating association shall be entitled to attend all meetings of the joint association, other than executive sessions, shall be given reasonable opportunity for participation in those meetings, and shall be entitled to the same access to the joint association's records as they are to the participating association's records.

Section 13.7. Construction. Wherever the context of these Bylaws so requires, the singular shall include the plural, and the masculine shall include the feminine. The provisions of these Bylaws will be deemed modified by additions or modifications to the Act or applicable sections of the Nonprofit Mutual Benefit Corporation Law (Sections 7110 through 8910 of the Corporations Code) unless any such additions or modifications are specified to be prospective only in their application.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the sole Incorporator of SERRANO VILLAGE COMMUNITY ASSOCIATION, a California nonprofit corporation.

That the foregoing Bylaws constitute the original Bylaws of said Association and are adopted by me on behalf of the Association pursuant to Section 7134 of the Corporations Code.

That the foregoing Bylaws will be presented to the Board of Directors of the Association at its organizational meeting, at which time adoption of the Bylaws which is hereby certified will be ratified by the Board.

This Certification is executed under penalty of perjury, and I have hereunto subscribed my name and affixed the seal of said Association this 13th day of January, 2018, in Swansea, California.



Margaret A. Hosking

(SEAL)

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly appointed Secretary of SERRANO VILLAGE COMMUNITY ASSOCIATION, a California nonprofit corporation.

That the foregoing Bylaws constitute the original Bylaws of said Association as previously adopted by the Incorporator on _____, 20__.

That adoption of the foregoing Bylaws by the Incorporator was ratified at a meeting of the Board of Directors of the Association held on the _____ day of _____, 20__.

This Certification is executed under penalty of perjury, and I have hereunto subscribed my name and affixed the seal of said Association this _____ day of _____, 20__, in _____, California.

Secretary

(SEAL)