

BYLAWS

OF

LINCOLN AT ORANGE GROVE COMMUNITY ASSOCIATION

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OF
LINCOLN AT ORANGE GROVE COMMUNITY ASSOCIATION**

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**BYLAWS
OF
LINCOLN AT ORANGE GROVE COMMUNITY ASSOCIATION**

ARTICLE 1 NAME AND PURPOSE

1.1 Name and Location. The name of the corporation is Lincoln at Orange Grove Community Association (the "Association"). The principal office of the Association shall be located in Los Angeles County, California or at such other place reasonably convenient to the Development as the Board may from time to time establish.

1.2 Corporate Status. The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (California Corporation Code, Section 7110 et seq.) as a nonprofit mutual benefit corporation, and is an "Association" as defined by California Civil Code Section 4080.

1.3 Specific Purpose. The specific and primary purpose of this Association shall be to maintain and enhance the property values of all of the property within the Lincoln at Orange Grove development located in the City of Pasadena, Los Angeles County, California. The Association shall own, repair, maintain and manage the Common Area within the Lincoln at Orange Grove mixed-use Condominium project, enforce the terms and conditions of the Declaration, the Rules adopted by the Board, from time to time, and to otherwise enhance and promote the use and enjoyment of the Common Areas by the Owners in common.

ARTICLE 2 DEFINITIONS

2.1 Definitions and Incorporation by Reference. When the words and phrases described in this Article are used in the Bylaws, they will have the meanings set forth in this Article. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine, and neuter shall each include the masculine, feminine, or neuter, as the context requires. The use of the term "may" in these Bylaws indicates discretion or choice, and the use of the term "shall" in these Bylaws mean imperative, mandatory or imposing an absolute duty. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

2.2 Absolute Majority. "Absolute Majority" shall mean a majority of the Total Voting Power of the Association. The term "Absolute Majority" as used in the Governing Documents shall have the same meaning and shall apply to any situations subject to California Civil Code Section 4065.

2.3 Association Records. "Association Records" shall mean any financial document required to be provided to a Member pursuant to California Civil Code Section 5300(a) or 4525, as well as interim unaudited financial statements such as balance sheet, income and expense statement, budget comparison, general ledger and check registers. Association Records also include Association executed contracts not otherwise 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 made from Reserve Accounts, agendas and minutes of meetings of the Members, Board Meetings and any committees appointed by the Board; excluding, however, minutes, and other information from executive sessions of the Board as described in California Civil Code Section 4935. Association Records include lists of Members, including name, property address, and mailing address.

2.4 Board Meeting. "Board Meeting" shall mean either of the following:

(a) Congregation of Directors. A congregation of a majority of the Directors 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) Teleconference. A teleconference in which a majority of the Directors, in different locations, are connected by electronic means, through audio or video or both.

2.5 Declaration. "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for Lincoln at Orange Grove, Recorded in the Official Records of Los Angeles County, California, as such Declaration may from time to time be amended.

2.6 Enhanced Association Records. "Enhanced Association Records" shall mean invoices, receipts and canceled checks for payments made by the Association, purchase orders approved by the Association, credit card statements for credit cards issued in the name of the Association, statements for services rendered, and reimbursement requests submitted to the Association.

2.7 Item of Business. "Item of Business" shall mean 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.

2.8 Member. "Member" shall mean an Owner of a Unit within the Development, and refers to membership in the Association.

2.9 Member in Good Standing. "Member in Good Standing" shall mean a Member who is current in the payment of all Assessments, fines, penalties, and other charges imposed in accordance with the Governing Documents, and who is in compliance with all of the provisions of the Governing Documents, as may be more particularly set forth in the Bylaws.

2.10 Proxy. "Proxy" shall mean 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.

2.11 Reserve Accounts. "Reserve Accounts" shall mean monies and funds as described in California Civil Code Section 4177.

2.12 Signed. "Signed" shall mean the placing of the Member's name(s) on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Member or authorized representative of the Member.

2.13 Simple Majority. "Simple Majority" shall mean a majority of the votes of the Members (i) represented and voting at a meeting at which a quorum is present, or (ii) cast by written ballot in which the number of ballots received equals or exceeds the number required to establish a quorum. The term "Simple Majority" as used in the Governing Documents shall have the same meaning and shall apply to any situations subject to California Civil Code Section 4070.

2.14 Total Voting Power. "Total Voting Power" shall mean the total number of votes of all Members entitled to vote at a particular time, excluding any Units as to which an Owner is not then a Member in Good Standing.

3.1 Members and Term of Membership. Membership in the Association shall include, and shall be limited to, all Owners of any Unit located within the Development. Membership shall be appurtenant to and may not be separated from ownership of a Unit. Upon becoming the Owner of a Unit, each Owner shall automatically be a Member and shall remain a Member until such time as his or her Unit ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, alienated, or hypothecated in any way, except upon the transfer or encumbrance of the Unit to which it is appurtenant and then only to the transferee or mortgagee, as the case may be, of such Unit. Any attempt to make a prohibited transfer is void. Upon any transfer of title to a Unit including a transfer upon the death of an Owner, membership in the Association shall pass automatically to the transferee.

3.2 Classes of Membership. The Association shall have the following classes of membership:

(a) Class A Members. Each Owner, with the exception of Declarant, shall be a Class A Member. If a Unit is owned by more than one (1) person, there shall be only one (1) vote with respect to such Unit. Declarant shall become a Class A Member upon the occurrence of the events specified in subsection 3.3(c), below.

(b) Class B Members. The Class B Member shall be Declarant until the occurrence of the events specified in subsection 3.3(c), below.

3.3 Voting Rights of Classes of Members.

(a) Members Entitled to Vote. Only Members of the Association shall be entitled to vote. The voting privileges of each class of Members shall be as provided herein. The tenants or lessees of any Unit within the Development shall have no voting or membership rights in the Association.

(b) Class A Members. Class A Members shall have one (1) vote for each Unit that the Member owns. A Class A Member who has sold his or her property to a purchaser under an installment land contract shall be deemed to have delegated to such purchaser his or her membership rights in the Association. However, the selling Owner shall remain liable for any default in the payment of Assessments by the purchaser until title to the property sold shall be transferred to the purchaser.

(c) Class B Members. The Class B Member shall be entitled to three (3) votes for each Unit owned by Declarant. The Class B membership shall cease and be converted to Class A membership on the first to occur of the following events:

(i) The total outstanding votes held by Class A Members equal the total outstanding votes held by the Class B Members.

(ii) The second (2nd) anniversary of the first conveyance of a Unit in the Development by Declarant.

(d) Consent of Membership Classes. As long as there are Class A and Class B memberships within the Association, no action by the Association that must have the prior approval of the Members shall be deemed approved by the Members unless approved by the appropriate percentage of both classes of Members. With the exception of an action by the Owners to enforce bonded obligations pursuant to Section 3.7 of the Declaration, whenever any provision of these Bylaws or any other Governing Document of the Association requires the approval of a prescribed

majority of the voting power of the Members "other than Declarant", the intent of the quoted phrase is that the action be approved by the vote or written assent of a bare majority of the Class B voting power, as well as the vote or written assent of the prescribed majority of the Total Voting Power of Members other than Declarant. After all the Class B memberships have been converted into Class A memberships, any such provisions shall be deemed to require the vote or written assent of a bare majority of the Total Voting Power of the Association, as well as the vote or written assent of the prescribed majority of the Total Voting Power of Members other than Declarant.

3.4 Casting Votes.

(a) Voting at Membership Meetings. In addition to the membership voting matters subject to secret ballot voting procedures pursuant to Section 4.12, below, the vote by the Members regarding any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by ten percent (10%) of the Members present at the meeting.

(b) Voting by Written Ballot. In addition to voting in person or by proxy at a meeting, for those membership voting matters not subject to Section 4.12, below, Members' votes may be solicited by written ballot in lieu of a meeting of the Members in accordance with Section 4.11, below.

(c) Proxy Voting. Although proxies are not applicable or permitted for elections subject to Section 4.11 or 4.12, below, Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Section 4.7, below.

(d) Cumulative Voting. Until such time as the Declarant no longer owns a Unit in the Development (the "Termination Date"), each Member entitled to vote at any election of Directors where two (2) or more positions are to be filled shall have the right to cumulate his or her votes by giving one (1) candidate a number of votes equal to the number of Directors to be elected, multiplied by the number of votes to which the Member is entitled, or by distributing his or her votes on the same principle among as many candidates as he or she desires. The election of Directors by the mail-in secret ballot requirements of subsection 4.12(d) and Article 6, below, precludes the holding of a meeting at which a Member could give notice of his or her intention to cumulate votes. Consequently, the President or any other presiding officer shall, prior to issuance of ballots for the election or removal of Directors, give notice of the right of Members to cumulate their votes. After the Termination Date, cumulative voting shall not be permitted. Those candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

(e) Multiple Owner Vote Allocation. Members in Good Standing shall be entitled to cast one (1) vote for each Unit owned. In the event more than one (1) person owns a given Unit, the vote for such Unit shall be exercised as the Owners among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any Class A Member's Unit, and not more than three (3) votes shall be cast with respect to any Class B Member's Unit. If the joint Owners of a Unit are unable to agree among themselves as to how their vote or votes are to be cast, such vote shall be cast in accordance with the decision of a majority of such Owners. If there is no such majority, the vote for the Unit shall not be cast either in favor of or opposed to the issue or issues which are the subject of the vote, but the membership shall be counted for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met. If any Owner casts a vote representing a certain Unit and no written objection thereto is received by the Secretary prior to the close of voting, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Unit.

3.5 Assignment of Membership Rights. A Member who has sold his or her Unit to a purchaser under an installment land contract shall assign to such purchaser his or her rights and privileges of membership in the Association and shall be deemed to have assigned to a purchaser who has assumed occupancy of the Member's Residence all rights of use and enjoyment of the Common Area. No assignment of any membership rights or privileges to a non-resident purchaser shall be binding, however, until the Board has been notified thereof in writing. Notwithstanding any assignment, until fee title to the Unit has been transferred of Record, the selling Owner shall remain liable for all assessments, fines, and other charges imposed by the Board and for compliance with the Governing Documents by all Residents of his or her Unit. Any Member who has leased or rented his or her Residence to another person or persons shall in all events be deemed to have assigned to his or her tenants all rights of use and enjoyment of the Common Area. It is the express purpose and intent of the provisions of this Section to limit the right of use and enjoyment of the Common Area to Residents of the Development and their guests.

3.6 Record Dates. The record dates for notice of meetings of Members and voting shall be determined as follows:

(a) Record Dates for Notice of Meetings. The Board may fix a time not more than ninety (90) days and not less than ten (10) days preceding the date of any meeting of the Members as the record date for determining the Members entitled to notice of any such meeting. In the event no such record date is fixed by the Board, the record date for the determination of Members entitled to notice of any meeting shall be the close of business on the business day preceding the day on which notice is given or, if notice is waived, the close of business on the business day preceding the day on which the meeting is held. Only those persons or entities identified as Members in the records of the Association on the record date shall be entitled to notice of such meeting.

(b) Record Dates for Voting. The Board may fix a time not more than sixty (60) days preceding the date of any meeting of the Members as the record date for determining the Members entitled to vote at any such meeting. In the event no such record date is fixed by the Board, the record date for the determination of Members entitled to vote at any meeting shall be the day of the meeting or, in the case of an adjourned meeting, the day of the adjourned meeting. Only Members in Good Standing as of the record date shall be entitled to vote at such meeting.

(c) Record Dates for Actions Without a Meeting. The Board may fix a time not more than sixty (60) days before the day on which the first written ballot is mailed or solicited as the record date for determining the Members entitled to cast written ballots with respect to any action proposed to be taken without a meeting pursuant to Section 4.11. In the event no such record date is fixed by the Board, the record date for the determination of Members entitled to cast written ballots with respect to any proposed action shall be the day on which the first written ballot is mailed or solicited. Only Members in Good Standing as of the record date shall be entitled to receive written ballots and vote on the proposed action.

(d) Entitlement to Notice and Vote. Only Members and Mortgagees having previously requested notice are entitled to receive notice of an election or meetings and only Members in Good Standing are entitled to vote

ARTICLE 4 MEETINGS OF MEMBERS

4.1 Annual Meeting. The first annual meeting of the Members and the first election of Directors pursuant to subsection 4.12(d) shall be held not more than forty-five (45) days after the closing of the sale of the Unit which represents the fifty-first (51st) percentile subdivided interest authorized for sale under the first public report for the project, but in no event shall the first meeting and the first election of Directors pursuant to subsection 4.12(d) be held later than six (6) months after the close of escrow for the sale of the

first Unit. Thereafter, the annual meeting of the Members shall be held annually at a date and time established by the Board.

4.2 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board or pursuant to the written request of Members entitled to cast at least five percent (5%) of the Total Voting Power of the membership.

4.3 Notice of Meetings.

(a) Notice Period. Written notice of each meeting of the Members shall be given by or at the direction of the Secretary or other person authorized to give notice of a meeting. Written notice shall be mailed first class, postage prepaid, or otherwise delivered at least ten (10) but not more than ninety (90) days before such meeting, to each Member entitled to vote at such meeting, except that in the case of a special meeting called pursuant to a written request of Members, notice of such special meeting shall be mailed or otherwise delivered within twenty (20) days after receipt of such written request by the Board, and the date of such special meeting shall be set by the Board and shall be not sooner than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of such written request. Notice shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Owner who had requested notification of Member meetings by mail. Additionally, notice may also be given by mail or delivery of the notice to each Unit in the Development, by newsletter or similar means of communication, or, with the consent of the Member, by electronic means.

(b) Content of Notice. Notice of meetings shall be addressed or otherwise delivered 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. Notice of any meeting of Members shall specify the date, hour, and place of the meeting, and the general nature of those matters which the Board intends to present for action by the Members. Additionally, the notice shall contain the agenda for the meeting.

(c) Matters to be Transacted. With respect to regular meetings, and subject to the voting procedures established in Section 4.12, below, any proper matter may be presented at the meeting for action by the Members, except that if the meeting is actually attended, in person or by proxy, by less than one-third (1/3) of the Total Voting Power of the Association, the Members may act only on matters the general nature of which has been set forth in the notice of such meeting. With respect to special meetings, only those matters referred to in such notice and agenda may be transacted.

4.4 Conduct of Meetings. All meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure, such as Robert's Rules of Order, or such parliamentary procedures as the Association may adopt. A reasonable time limit for all Members to speak at a meeting of the Members shall be established by the Board.

4.5 Place of Meetings. Annual and special meetings shall be held at a convenient place located as close as reasonably practicable to the Development.

4.6 Quorum.

(a) Quorum for Election of Directors. The quorum requirement for valid election of Directors shall be the number of completed ballots received by the Association, provided that the Association receives ballots from at least twenty-five percent (25%) of the Members entitled to vote.

(b) Removal of Directors.

(i) While Cumulative Voting is Permitted. Prior to the Termination Date for cumulative voting as provided in Section 3.4(d), above, unless the entire Board is subject to removal from office by a vote of the membership, no individual Director shall be removed prior to expiration of his or her term of office if the votes cast against removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors was then being elected. In addition, any vote to remove an individual Director shall comply with the voting requirements of Section 5.4, below. The algebraic formula X divided by $(Y + 1)$ shall be used to determine if the number of votes cast against removal is sufficient to retain a Director that is the subject of a recall election. " X " is the total memberships entitled to vote and " Y " is the total number of Directors authorized by the Governing Documents.

(ii) When Cumulative Voting is Not Permitted. After the Termination Date, when cumulative voting is no longer permitted, the quorum requirement for valid election for the removal of one or more Directors shall be the number of completed ballots received by the Association, provided that the Association receives ballots from at least twenty-five percent (25%) of the Members entitled to vote.

(c) Assessment Increases. In the case of any membership written ballot conducted for the purpose of voting on assessment increases requiring membership approval in accordance with the Davis-Stirling Common Interest Development Act, the quorum requirement for valid action shall be the receipt of completed ballots from at least fifty percent (50%) of the Members.

(d) Governing Document Amendments. For all membership voting for amendments to the Declaration, Bylaws or Articles, the quorum requirement for valid action shall be the receipt of completed ballots from fifty-one percent (51%) of the Members.

(e) All Other Membership Meetings or Elections. For all other membership meetings or elections the presence at any meeting of Members entitled to cast at least twenty-five percent (25%) of the Total Voting Power shall constitute a quorum.

4.7 Proxies. At all meetings of the Members, each Member may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary. Any duly-executed proxy continues in full force and effect until an instrument revoking it or a duly-executed proxy bearing a later date is filed with the Secretary of the Association. Notwithstanding the preceding, no proxy shall be valid after the expiration of eleven (11) months from the date of its execution. A Member's proxy shall automatically cease if the Member conveys his or her Unit and is no longer an Owner.

(a) Form of Proxy. A proxy covering any of the following matters shall not be valid unless it sets forth the general nature of the matter to be voted on:

(i) Votes with Interested Directors. Voting on a transaction involving an interested Director pursuant to California Corporations Code Section 7233;

(ii) Voting on Sale or Exchange of All or Substantially All Assets. Voting on the sale or exchange of all or substantially all of the Association assets pursuant to California Corporations Code Section 7911(a)(2);

(iii) Merger. Voting on a merger pursuant to California Corporations Code Section 8012;

(iv) Amendments to Merger. Voting on amendments to principal terms of a merger agreement pursuant to California Corporations Code Section 8015(a);

(v) Wind Up or Dissolution. Voting to wind up or dissolve the Association as a corporation pursuant to California Corporations Code Section 8610;

(vi) Plan of Distribution. Voting on a plan of distribution of Association assets in the event of dissolution pursuant to California Corporations Code Section 8719.

(b) Choice Between Approval and Disapproval. Any form of proxy distributed to Members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited and shall provide, subject to reasonable specified conditions, that where a choice is specified the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

4.8 Vote of the Members. If a quorum is present, in person or by proxy or by ballot, the affirmative vote of a majority of the voting power so present and voting on any matter (that is, a Simple Majority) shall constitute the act of the Members, unless the approval of a greater number or proportion of Members is required by any provision of the Governing Documents or of law. The Members present at a meeting may continue to transact business until adjournment of the meeting notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken, other than adjournment, is approved by Members entitled to vote at least a majority of the voting power required to constitute a quorum, or by such greater number as required by law or by the Governing Documents.

4.9 Disclosure of Voting Results. Within fifteen (15) days of any particular vote of the Members taken at such meeting, the Board shall publicize the tabulated results of the election in a communication directed to all Members.

4.10 Adjournment. Whether or not a quorum is present, any meeting of Members may be adjourned from time to time to be reconvened at a later time, subject to Section 4.6, by the vote of a majority of the Members present in person or by proxy at such meeting; however, in the absence of a quorum, no business other than adjournment may be transacted. If a time and place for the adjourned meeting to reconvene is not fixed by those in attendance at the original meeting in which a quorum was not present, or if for any reason a new date is fixed for the adjourned meeting to reconvene after adjournment, notice of the time and place of the adjourned meeting to reconvene shall be given to the Members in the manner prescribed for regular meetings in Section 4.3, above.

4.11 Action Without a Meeting.

(a) Types of Action Permitted. Any action which may be taken at a regular or special meeting may be taken without a meeting of the Members if the Association distributes a written ballot to every Member entitled to vote. The determination to seek Member approval for Association actions through the use of written ballots for matters other than those set forth in Section 4.12, below, shall be made by a majority vote of the Board.

(b) Content of Ballots. Written ballots distributed to the Members shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. The written ballots shall provide a reasonable time within which to return the ballot to the Association. The Board, at its discretion, shall have the power to extend the date within which ballots must be

returned if ballots constituting the necessary quorum requirements for approval of the proposed action are not received by the original deadline set for their return.

(c) Quorum and Approvals Required. Approval by written ballot shall be valid only when the number of votes cast equals or exceeds the quorum that would be required if the action were taken at a meeting, and the number of approvals equals or exceeds the number of votes that would be required to approve the action if it were taken at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(d) Content of Solicitation. The written ballot solicitation shall identify the number of responses needed to meet the quorum requirement and the percentage of approvals necessary to pass the measure submitted and shall specify the time by which the ballot must be received by the Association in order to be counted.

(e) Revocation of Ballot. A written ballot, once cast, may not be revoked.

4.12 Secret Ballot Elections. An Association vote or election regarding any of the following shall be by secret ballot:

(a) Increasing Regular Assessments. Increasing Regular Assessments more than twenty percent (20%) in any fiscal year;

(b) Levy of Special Assessments in Excess. The levy of Special Assessments in excess of five percent (5%) of the Association's budgeted gross expenses for the fiscal year;

(c) Amendments. Amendments to the Governing Documents;

(d) Election and Removal of Board. Election and removal of Directors; or

(e) Grant of Exclusive Use of Common Area. The grant of exclusive use of Common Area property to an individual Member.

ARTICLE 5 BOARD; QUALIFICATIONS; TERM OF OFFICE

5.1 Number of Directors. The affairs of this Association shall be managed by or under the direction of the Board. The initial Board shall be comprised of three (3) persons designated by Declarant, and shall hold office until the first meeting of the membership to be held pursuant to Section 4.1, above. Thereafter, the Board shall consist of three (3) or five (5) Directors, with the exact number of Directors to be fixed, within the limits specified, by approval of the Board. No reduction in the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires. At least one (1) Director shall be elected solely by the Members owning Commercial Units and at least one (1) Director shall be elected solely by the Members owning Residential Units. Notwithstanding any other provision in the Governing Documents, a majority of the Director positions shall be held by Members owning Residential Units.

5.2 Qualification and Disqualification of Directors. Directors, officers, partners or employees of Declarant may be nominated by Declarant as Directors of the Association regardless of whether they are Owners. Except for Directors appointed by Declarant, all Directors shall meet the following qualifications, and shall be subject to disqualification as follows:

(a) Number of Owners per Unit on the Board. Only one (1) Owner of a particular Unit may serve on the Board at any time.

(b) Qualification/Disqualification. The Association may adopt Rules consistent with California Civil Code Section 5105(b) related to qualifications for election or appointment to the Board and circumstances permitting or requiring the disqualification of a candidate or Director.

5.3 Election of Board.

(a) Terms of Office. Except as noted in subsections 5.3 (a)(i) and (ii), below, each elected Director shall hold office for a term of two (2) years and until a successor Director has been elected or until the earlier disqualification, death, resignation, or removal of such Director. Any tie in the number of votes cast for candidates shall be decided by random drawing or other method of chance as determined by the Board. There shall be no limitation on the number of consecutive terms to which a Director can be re-elected. The first election of the Board shall be conducted at the first annual meeting of the Members and the terms of office shall be staggered depending on the number of Directors being fixed at three (3) or five (5), as follows:

(i) Three (3) Director Board. One (1) Director shall be elected by the votes of Class A Members only, as more particularly described in subsection 5.3 (b), below. This initial one (1) elected Director shall serve a term of one (1) year. In addition to the election of the one (1) Director, Declarant shall appoint two (2) Directors pursuant to Declarant's Class B voting rights. The two (2) Directors initially appointed by Declarant at the first annual meeting shall serve a term of two (2) years. Thereafter, term of office of a Director shall be two (2) years; or

(ii) Five (5) Director Board. Two (2) Directors shall be elected, including one (1) Director who will be elected by the votes of Class A Members only, as more particularly provided in subsection 5.3(b), below, and one (1) Director who will be elected by the votes of Class A and Class B Members. The initial two (2) elected Directors shall each serve a term of one (1) year. In addition to the election of two (2) Directors, Declarant shall appoint three (3) Directors pursuant to Declarant's Class B voting rights. The three (3) Directors initially appointed by Declarant at the first annual meeting shall serve a term of two (2) years. Thereafter, term of office for a Director shall be two (2) years.

(b) Special Rule for Election of Director by Class A Members. From the first election of the Board and thereafter for so long as the majority of the voting power of the Association resides with Declarant, or so long as there are Class B memberships in the Association, not less than twenty percent (20%) of the Board shall be elected solely by the votes of Owners of Units other than Declarant (i.e. the Class A Members only).

(c) Uncontested Board Elections. In any election of Directors where the number of candidates does not exceed the number of Directors to be elected, the election of Directors may be accomplished by acclamation without the use of ballots.

5.4 Removal of Directors.

(a) Removal, Generally. Except as provided in subsections 5.4(b) and (c), below, any Director may be removed from the Board, with or without cause, by the vote of a Simple Majority of the Members by written ballot in accordance with the provisions of Section 4.12, above. No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his or her term of office.

(b) Protection of Cumulative Voting Rights. Prior to the Termination Date for cumulative voting, unless the entire Board is removed from office, no Director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all memberships entitled to vote were voted) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected.

(c) Special Rule for Removal of Class A Director. Any Director elected to office solely by the votes of Class A Members may only be removed from office by the votes of at least fifty-one percent (51%) of such Class A Members.

5.5 Vacancies. A vacancy shall exist on the Board in the event of the disqualification, death, resignation, or removal of any Director, or if the authorized number of Directors is increased, or if the Members fail to elect the full authorized number of Directors. A reduction in the authorized number of Directors shall not cause removal of a Director prior to the expiration of his or her term. The Board, by a majority vote of the Directors who meet all of the qualifications for Directors as set forth in Section 5.2, above, may declare vacant the office of any Director who fails or ceases to meet any required qualification that was in effect at the beginning of that Director's current term of office.

5.6 Filling Vacancies. Any vacancy occurring on the Board, except a vacancy created by the removal of a Director or due to an increase in the authorized number of Directors, may be filled by approval of the Board, or if the number of Directors then in office is less than a quorum, by the vote of a majority of the remaining Directors at a Board Meeting, or by unanimous written consent of the Directors then in office, or by a sole remaining Director. A Director so chosen shall serve the remainder of the term of office of the Director whom he or she replaces. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. If the Board accepts the resignation of a Director tendered to take effect at a future time, the Board or, if the Board fails to act, the Members may elect a successor to take office when the resignation becomes effective. A vacancy occurring on the Board due to the removal of a Director or due to an increase in the number of authorized Directors shall be filled by the vote of the Members pursuant to Article 6, below.

5.7 Compensation. No Director shall receive compensation for any service he or she may render to the Association as a Director. However, upon approval by the Board, any Director may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.

ARTICLE 6 NOMINATION; ELECTION OF DIRECTORS; INSPECTORS

6.1 Nomination.

(a) Nomination Prior to the Mailing of Ballots. Any person meeting the qualifications specified in Section 5.2 may place his or her name in nomination for election to the Board by giving written notice to the President or Secretary of the Association at least fourteen (14) days prior to the date specified by the Board for the mailing of the ballots for the election of Directors.

(b) Nomination Committee. A nominating committee may be appointed each year by the Board. The nominating committee shall consist of a chairperson, who shall be a Director, and two (2) other persons who may either be a Member or a representative of the Declarant. Each member of the nominating committee shall serve for a period of one (1) year. The nominating committee shall give written notice to the President or Secretary of the Association of the Members nominated by the committee for election to the Board not less than fourteen (14) days prior to the date specified by the Board for the mailing of the ballots for the election of Directors. All

nominations by the nominating committee shall be made from among persons meeting the qualifications specified in Section 5.2.

(c) Notice of Nominees. The names of all persons who have been nominated as candidates for election to the Board pursuant to this Section 6.1 shall be provided notice not less than seven (7) days prior to the mailing of the ballots for the election to the Board.

6.2 Access to Association Media, Newsletters, or Internet. The Board shall ensure that if any candidate or Member advocating a point of view is provided access to Association media, newsletters, or internet web sites during a campaign for any matter in which the Members will vote, for purposes that are reasonably related to that election, equal access shall be provided to all candidates and Members advocating a point of view, including those not endorsed by the Board, for purposes that are reasonably related to the election. The Association shall not edit or redact any content from these communications, but may include a statement specifying that the candidate or Member, and not the Association, is responsible for that content.

6.3 Access to Common Area During Campaign. The Board shall ensure access to the Common Area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election.

6.4 Elections.

(a) Secret Ballot Elections. For each election conducted by secret ballot pursuant to Section 4.12, above, such elections shall be conducted in accordance with the provisions of these Bylaws and any duly adopted Rules regarding secret ballot elections.

(b) Establishing a Quorum. Each ballot received by the inspector of elections shall be treated as a Member present at a meeting for purposes of establishing a quorum. For the Members' meeting or Board Meeting held for the purpose of counting and tabulation of votes pursuant to Section 6.10, below, a quorum shall be established prior to the opening and counting of the ballots. The Association shall allow for cumulative voting using the secret ballot procedures.

6.5 Qualifications of Inspector of Elections. The Board shall select an independent third party or parties as an inspector or inspectors of elections. The number of inspectors of elections shall be one (1) or three (3). An independent third party includes, but is not limited to, (a) A volunteer poll worker with the County registrar of voters; (b) A licensee of the California Board of Accountancy; or (c) A notary public. An independent third party may be a Member, but may not be a Director or a candidate for the Board or related to a Director or a candidate for the Board. An independent third party may not be a person, business entity, or a subdivision of a business entity who is currently employed or under contract to the Association for any compensable services unless expressly authorized by the Association's election Rules.

6.6 Inspector of Elections Duties. An inspector or inspectors of elections shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three (3) inspectors of elections, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the inspector or inspectors of elections is prima facie evidence of the facts stated in the report. The inspector or inspectors of elections shall do all of the following:

(a) Number of Memberships. Determine the number of memberships entitled to vote and the voting power of each.

(b) Proxies. Determine the authenticity, validity, and effect of proxies, if any.

- (c) Ballots. Receive ballots.
- (d) Challenges and Questions with the Right to Vote. Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- (e) Votes. Count and tabulate all votes.
- (f) Closure of Polls. Determine when the polls shall close.
- (g) Tabulated Results of Election. Determine the tabulated results of the election.
- (h) Additional Acts. Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with this Article, the Davis-Stirling Common Interest Development Act, the California Corporations Code, and all applicable Rules of the Association regarding the conduct of the election that are not in conflict with this Article.

6.7 Mailing of Ballots. Ballots and two (2) pre-addressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to every Member not less than thirty (30) days prior to the deadline for voting. In the upper left hand corner of the second envelope, the following shall be pre-printed; (a) Voter's name; (b) Mailing Address; (c) Unit number that entitles him or her to vote; and (d) A line provided where the voter shall sign his or her name. The second envelope shall be addressed to the inspector or inspectors of elections, who will be tallying the votes. The envelope may be mailed or delivered by hand to the location specified by the inspector or inspectors of elections. The Member may request a receipt for delivery.

6.8 Preserving Confidentiality of Voter. In order to preserve confidentiality, a voter shall not be identified by name, address, or Unit number on the ballot. The ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. The envelope containing the ballot is then inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, the voter shall sign his or her name, indicate his or her name, and indicate the address or separate interest identified that entitles him or her to vote.

6.9 Proxy Election Vote. Proxies shall not be construed or used in lieu of a ballot, which is subject to Sections 4.11 or 4.12, above. Any instruction given in a proxy issued for an election not subject to Sections 4.11 or 4.12, above, that directs the manner in which the proxyholder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxyholder to retain. The proxyholder shall cast the Member's vote by secret ballot. The proxy may be revoked by the Member prior to the receipt of the ballot by the inspector of elections as described in California Corporations Code Section 7613.

6.10 Tabulation of Votes. All votes shall be counted and tabulated by the inspector or inspectors of elections or his or her designee in public at a properly noticed open Board Meeting or meeting of the Members. The Board may notice a Board Meeting to immediately follow the noticed Members' meeting so that the inspector of elections may count and tabulate the votes at the Board Meeting in the event the Members' meeting fails to obtain a quorum. Any candidate or other Member may witness the counting and tabulation of the votes. No person, including a Member or an employee of the management company, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated. The inspector of elections, or his or her designee, may verify the Member's information and signature on the outer envelope prior to the meeting at which ballots are tabulated. Once a secret ballot is received by the inspector of elections, it shall be irrevocable. The sealed ballots at all times shall be in the custody of the inspector or inspectors of elections or at a location designated by the inspector or inspectors until after the tabulation of the vote, at which time custody shall be transferred to the Association.

6.11 Additional Persons to Assist Inspector. Inspector or inspectors may appoint and oversee additional persons to verify signatures and to count and tabulate votes as the inspector or inspectors deem appropriate, provided that the persons are independent third parties.

6.12 Reporting of Results. The tabulated results of the election shall be promptly reported to the Board and shall be recorded in the minutes of the next Board Meeting and shall be available for review by Members. Within fifteen (15) days of the election, the Board shall publicize the tabulated results of the election in a communication directed to all Members.

6.13 Storage of Ballots. After the transfer of the ballots to the Association, the ballots shall be stored by the Association in a secure place for no less than one (1) year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by a Member or their authorized representatives. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.

ARTICLE 7 MEETINGS OF DIRECTORS

7.1 Organizational Meetings. Immediately following a meeting of Members or Board Meeting where one (1) or more Directors are elected, the Board shall hold a Board Meeting for the purpose of organization, election of officers, and transaction of other Items of Business, as appropriate.

7.2 Regular Board Meetings. Regular Board Meetings shall be held at least quarterly without notice to the Directors, at a place within the Development, or at a convenient place located as close as reasonably practicable to the Development, and on a day and at a time as fixed from time to time by resolution of the Board, or upon proper notice which conforms to the provisions of Section 7.5 of these Bylaws, at another place, day, and time as set forth in such notice.

7.3 Special Board Meetings. Special Board Meetings shall be held when called by the President of the Association or by any two (2) Directors.

7.4 Emergency Board Meetings. The President or any two (2) Directors may call an emergency meeting. An "emergency meeting" is defined as a Board Meeting held to address 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 notice to Members required by Section 7.6.

7.5 Notice to Directors. Except as otherwise provided in Section 7.2 of these Bylaws, notice of each Board Meeting shall be communicated to the Directors by first class mail not less than four (4) days prior to the Board Meeting or by (i) personal delivery, (ii) telephone, including a voice messaging system or other system or technology designed to record and communicate messages, (iii) telegraph, (iv) facsimile, or (v) electronic mail or other electronic means, not less than forty-eight (48) hours prior to the Board Meeting. In the event of an emergency meeting as provided in Section 7.4, strict adherence to the notice requirements of this Section shall not be required provided that a reasonable effort to give notice to each Director shall be made taking into consideration the nature and circumstances of the emergency. Notice of a Board Meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the Board Meeting, or an approval of the minutes thereof, whether before or after the Board Meeting, nor must notice be given to any Director who attends a Board Meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director.

7.6 Notice to Members. Except for an emergency meeting as provided for in Section 7.4 or a Board Meeting that will be held solely in executive session as provided for in Section 7.9, Members shall be given notice of the day, time, and place of each Board Meeting, whether regular or special, at least four (4) days prior to such Board Meeting. Except for an emergency meeting, Members shall be given notice of the

time and place of a Board Meeting that will be held solely in executive session at least two (2) days prior to the Board Meeting. Except for a Board Meeting that will be held solely in executive session, the notice of a teleconference Board Meeting shall identify at least one (1) physical location so that Members may attend and at least one (1) Director shall be present at that location. Notice shall be given to all Members by posting the notice in a prominent place or places within the Common Area and by mail to any Owner who has requested notification of Board Meetings by mail, at the address requested by the Owner. Notice may also be given by (i) mailing or delivery to each Unit, (ii) by newsletter, (iii) by other means of communication reasonably designed to provide prior actual notice of such Board Meeting, or, (iv) with the consent of the Member, by electronic means.

7.7 Matters to Notice. The notice shall contain the agenda for the Board Meeting:

(a) Matters to be Discussed. The Board may not discuss or take action on any item at a non-special Board Meeting, unless the item to be discussed was placed on the agenda included in the notice of Board Meeting pursuant to Section 7.6, above. However, this restriction does not prohibit a Member, who is not a Director from speaking on issues not disclosed on the agenda.

(b) Discussion of Matters not on Prior Agenda. Notwithstanding the restrictions above in subsection 7.7(a), a Director or designated representative of the Board may do any of the following related to a matter not previously placed on the agenda of a noticed Board Meeting:

(i) Response. The Board may briefly respond to a statement made or questions posed by an individual speaking at a Board Meeting;

(ii) Clarification. The Board may ask a question for clarification, make a brief announcement, make a report on its activities in response to questions posed by a Member or on its own initiative.

(iii) Other Board Powers. The Board may request the Directors or designated representatives, including the Association's manager, if any, provide the Board with information concerning matters to be transacted, or action to be taken related to an Item of Business on a future agenda during a duly noticed Board Meeting.

(c) Actions to be Taken on Matters not on Prior Agenda. Notwithstanding the above restrictions in subsection 7.7(a), the Board may take action on any Item of Business not appearing on the agenda under the following conditions and the Board shall openly identify the item to the Members in attendance at the Board Meeting:

(i) Emergency Situation. Upon determination by a majority of the Board that an emergency situation exists. Emergency situation is defined as circumstances that could not have been reasonably foreseen by the Board, that requires immediate attention and possible action by the Board, and that, of necessity, make it impracticable to provide notice; or

(ii) Majority of Members. Actions may be taken as set forth above, if by determination of two-thirds (2/3) of the Directors present at the Board Meeting, or, if less than two-thirds (2/3) of the total membership of the Board is present at the Board Meeting, by a unanimous vote of the Directors present, that there is a need to take immediate action and that the need for such action came to the attention of the Board after the agenda was posted and distributed pursuant to the above restrictions; or

(iii) Continuance of Action. The item appeared on an agenda that was posted and distributed pursuant to notice requirements, that occurred not more than thirty (30) calendar days before the date that action is taken on the item, and, at the prior Board Meeting, action on the item was continued to the Board Meeting at which the action is taken.

7.8 Open Meeting. Regular and special Board Meetings shall be open to all Members, except when the Board adjourns to, or meets solely in, executive session pursuant to Section 7.9. A reasonable time limit for all Members to speak to the Board shall be established by the Board.

7.9 Executive Session. The Board may meet in executive session to confer with legal counsel or to discuss and vote upon personnel matters, Member discipline, litigation in which the Association is or may become involved, and matters that relate to the formation of contracts between the Association and others. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person whose participation is, in the judgment of the Board, necessary or appropriate shall be entitled to attend the executive session. All Board Meetings held pursuant to a Member's request in accordance with California Civil Code Section 5655(a) shall be held in executive session.

7.10 Telephone Participation. Directors may participate in regular or special Board Meetings through the use of conference telephone, electronic video screen communications, or other communications equipment to the extent permitted by law, including, without limitation, California Corporations Code Section 7211(a)(6) provided that, if notice to the Members of the Board Meeting is required pursuant to Section 7.6, at least one (1) Director must be physically present at the noticed location of the Board Meeting. A teleconference Board Meeting shall be conducted in a manner that protects the rights of Members of the Association and otherwise complies with the requirements of the Davis-Stirling Common Interest Development Act. Participation by Directors in a teleconference Board Meeting constitutes presence at that Board Meeting as long as all Directors participating in the Board Meeting are able to hear one another and Members speaking on matters before the Board. A Member shall be entitled to attend a teleconference Board Meeting or the portion of a teleconference Board Meeting that is open to Members, and that Board Meeting or portion of the Board Meeting shall be audible to the Members in a location specified in the notice of the Board Meeting.

7.11 Quorum. A majority of the number of Directors then in office, but not less than two (2) Directors, shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly-held Board Meeting at which a quorum is present shall be regarded as the act of the Board. Business may continue to be conducted if any action taken is approved by at least a majority of the Directors required to constitute a quorum notwithstanding the withdrawal of enough Directors to leave less than a quorum.

7.12 Minutes of Board Meetings.

(a) Time for Publication of Minutes. Within thirty (30) days after the date of any Board Meeting, the Board shall make available to the Members either (i) the minutes of that Board Meeting as adopted by the Board, (ii) those minutes as proposed for adoption which shall be marked to indicate draft status, or (iii) a summary of the minutes. Any matter discussed in an executive session shall be generally noted in the minutes of the Board and minutes of executive sessions shall not otherwise be required.

(b) Copies of Minutes. Copies of the minutes, proposed minutes, or summary of minutes shall be provided to any Member upon request and upon reimbursement of the Association's costs in providing such copies. The Board may, but shall not be required to, post the minutes of its Board Meetings on an internet site.

(c) Notice of Right to Obtain Copies of Minutes. Members of the Association shall be notified annually in writing either at the time that the pro forma budget required under California Civil Code Section 5300 is distributed or at the time of any other general mailing to the entire membership of the Association of their right to obtain copies of the minutes of Board Meetings and how and where those minutes may be obtained.

7.13 No Action Without a Board Meeting. The Board shall not take action on any Item of Business outside of a Board Meeting. Notwithstanding Section 7211 of the California Corporations Code, the Board shall not conduct a Board Meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except electronic transmissions may be used as a method of conducting an emergency meeting as provided in Section 7.4, above, if all the Directors, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the Board Meeting. Written consent to conduct an emergency meeting may be transmitted electronically.

ARTICLE 8 POWERS OF THE BOARD

8.1 Powers, Generally. In addition to such other powers as may be expressly set forth in Article 2 of the Declaration, and elsewhere in the Governing Documents or provided by law, the Board shall have the powers set forth below in Sections 8.2 through 8.16.

8.2 Rules and Regulations. The Board shall have the power to adopt, publish, amend, repeal, and enforce Rules and Regulations governing the administration, management, operation, use, and occupancy of the Development, including, without limitation, the use of the Common Area and facilities, the personal conduct of the Members and their tenants and guests within the Development, and any other matter which is within the jurisdiction of the Association. The procedure for the adoption and modification of Rules by the Board with respect to the matters specified in subsection 8.2(i) shall be as follows:

(a) Notice of Proposed Rule Change. The Board shall provide written notice of a proposed new Rule, a change to an existing Rule or the repeal of an existing Rule, concerning matters specified in subsection 8.2(i) (a "Rule Change"), to the Members at least twenty-eight (28) days before adopting the same. The notice shall include the text of the proposed Rule Change and a description of the purpose and effect of the same. Notice is not required under this subsection if the Board determines that an immediate Rule Change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association.

(b) Decision on Rule Change. A decision on a proposed Rule Change shall be made at a Board Meeting, after consideration of any comments made by Members.

(c) Notice of Rule Change. As soon as possible after making a Rule Change, but not more than fifteen (15) days after making the Rule Change, the Board shall deliver notice of the Rule Change to all Members. Members are deemed to have been notified of a Rule Change on delivery of notice of the Rule Change, or on enforcement of the resulting Rule, whichever is sooner. If the Rule Change was an emergency Rule Change made under subsection 8.2(d), the notice shall include the text of the Rule Change, a description of the purpose and effect of the Rule Change, and the date that the Rule Change expires.

(d) Emergency Rule Change. If the Board determines that an immediate Rule Change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association, it may make an emergency Rule Change. In such case, the notice specified in subsection 8.2(a) shall not be required. An emergency Rule Change is effective for one hundred twenty (120) days, unless the Rule Change provides for a shorter effective period. A Rule Change made pursuant to this subsection may not be readopted pursuant to this subsection.

(e) Delivery of Notice of Rule Change. Delivery of notices required by this Section is governed by Section 12.12.

(f) Meeting for Reversal of Rule Change. Members may call for a special meeting of the Members in accordance with Section 4.2 to reverse a Rule Change adopted by the Board, provided that the same is delivered within thirty (30) days after the Members are notified of the Rule Change.

(g) Reversal of Rule Change. The Rule Change adopted by the Board may be reversed by the affirmative vote of at least two-thirds (2/3) of the Total Voting Power. In lieu of calling the meeting described in subsection 8.2(f), the Board may utilize a written ballot in accordance with Section 4.11. The Board shall provide notice of the results of the Member vote held pursuant to this subsection 8.2(g) to every Member in accordance with Section 6.12, above. This subsection does not apply to an emergency Rule Change made under subsection 8.2(d).

(h) Readoption of Reversed Rule. A Rule Change reversed by the Members pursuant to subsection 8.2(g) may not be readopted for a period of one (1) year after the date of the meeting reversing the Rule Change. Nothing in this subsection 8.2(h) precludes the Board from adopting a different Rule on the same subject as the Rule Change that has been reversed.

(i) Applicable Rules. Subsections 8.2(a) through (h) shall only apply to a Rule that relates to one (1) or more of the following subjects:

(i) Use of the Common Area.

(ii) Use of a Unit, including any aesthetic or architectural standards that govern alteration of any improvements to a Unit.

(iii) Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties.

(iv) Any standards for delinquent Assessment payment plans.

(v) Any procedures adopted by the Association for resolution of Assessment disputes.

(vi) Any procedures for reviewing and approving or disapproving a proposed physical change to a Member's Unit or to Common Area.

(vii) Procedures for elections.

(j) Inapplicability of Rule Change Procedure. The requirements of subsections 8.2(a) through (h) shall not apply to any other actions of the Board, including without limiting the following:

(i) A decision regarding maintenance of the Common Area.

(ii) A decision on a specific matter that is not intended to apply generally.

(iii) A decision setting the amount of a Regular or Special Assessment.

(iv) A Rule Change that is required by law, if the Board has no discretion as to the substantive effect of the Rule Change.

(v) Issuance of a document that merely repeats existing law or the Governing Documents.

8.3 Contracts. Subject to the limitations on contracts described in Section 8.17, below, the Board shall have the power to authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Association or to render the Association liable for any purpose or on any account.

8.4 Determination of Good Standing. The Board shall have the power to determine, after notice to the Member and an opportunity for a hearing by the Board, that a Member is not a Member in Good Standing during any period in which the Member is in default in the payment of any assessment, fine, or other charge levied by the Board or is in violation of any provision of the Governing Documents. However, a Member shall not be denied any privileges of membership except upon an explicit finding by the Board, after notice and an opportunity for a hearing, that a Member is not a Member in Good Standing for specified reasons. A Member found by the Board to be not a Member in Good Standing shall be deemed to continue in that status until the Board shall make a determination, either upon the Board's own initiative or upon the request of the Member, that such Member is, once again, a Member in Good Standing of the Association.

8.5 Sanctions; Hearings; Continuing Violations. The Board shall have the power to impose any or all of the sanctions, and conduct hearings, as indicated below:

(a) Imposition of Fines. The Board shall have the power to establish and impose fines, which shall be Enforcement Assessments as provided in Section 6.8 of the Declaration, for the infraction of any provision of the Governing Documents in accordance with a schedule of fines adopted by the Board and distributed to all Members. The fines shall be in such amount as the Board, in its discretion, shall determine and may be imposed on a per day basis for the period that the violation continues in the case of a continuing violation as discussed below.

(b) Suspension of Rights. The Board shall have the power to suspend the voting or other membership rights and privileges of a Member, including the right to use the recreational facilities (i) during any period in which such Member shall be in default in the payment of any Assessment, fine or other charge levied by the Association, and (ii) for any infraction of the Governing Documents.

(c) Hearings. Except as provided in Section 10.7 of the Declaration and subsection 8.5(e), below, before any action is taken or discipline is imposed upon a Member, the Board shall hold a Board Meeting to consider the matter.

(d) Notice of Hearings. At least ten (10) days prior to any Board Meeting where the imposition of discipline upon a Member is to be considered, the Board shall provide written notice of the Board Meeting to the Member by either personal delivery or first-class mail. The notice shall contain at least (i) the date, time and place of the Board Meeting, (ii) the nature of the alleged violation for which the Member may be disciplined, and (iii) a statement that the Member has a right to attend the Board Meeting and may address the Board at the Board Meeting.

(e) Hearings in Emergency Situations. When corrective action is taken in emergency situations as specified in Section 10.7 of the Declaration:

(i) The Board may act on its own initiative to schedule a hearing.

(ii) If the Board has not scheduled a hearing and the disciplined Member desires a hearing, the Member's written request therefor shall be delivered to the Association no later than ten (10) days following the date when the notice of the Board's disciplinary action is transmitted to the Member. The hearing shall be held within thirty (30) days following the receipt by the Board of the Member's request for a hearing.

(iii) If a hearing is scheduled or requested, any discipline already imposed shall be held in abeyance and shall become effective only if affirmed at the hearing.

(iv) Notification of all hearings shall be made in accordance with subsection 8.5(d).

(f) Continuing Violations. In the case of a continuing violation, the Board may deem such continuing violation to constitute two (2) or more separate and distinct violations of the same Governing Document provision and may impose separate and successive sanctions for each such violation. However, the Board shall not impose a separate sanction for violation of the same provision more frequently than once per day.

(g) Notice of Discipline. If the Board imposes discipline upon a Member, the Board shall provide the Member with written notification of the disciplinary action, by either personal delivery or first-class mail, within fifteen (15) days following the action.

8.6 Manager. The Board shall have the power to engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties.

8.7 Professional Advisors. The Board shall have the power to consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Governing Documents and the law, and to pay for such professional services.

8.8 Investment of Reserve Funds. The Board shall have the power to invest Association reserve funds in prudent investments subject to the provisions of Section 9.5 of these Bylaws.

8.9 Entry for Repairs. The Board shall have the power to enter any Unit, whenever such entry is necessary, in the Board's sole discretion, in connection with the performance of any maintenance, repair, construction, or replacement for which the Association is responsible or which it is authorized to perform, including without limitation the authorization provided in Section 7.6 of the Declaration. Although under no obligation to do so, the Board, in its complete and sole discretion, may enter or may authorize the Association's agents to enter any Unit to effect emergency repairs where such repairs are necessary for safety reasons or to prevent or discontinue damage to the entered Unit, any other Unit or the Common Area. Such entry shall be made with as little inconvenience to the Residents as practicable and only upon reasonable advance written notice of not less than twenty-four (24) hours, except in emergency situations.

8.10 Property Taxes. The Board shall have the power to pay all real property taxes and assessments levied upon any property within the Development to the extent not separately assessed to the Owners. Such taxes and assessments may be contested or compromised by the Association provided that any such taxes are paid or that a bond insuring the payment is posted.

8.11 Education. The Board shall have the power to join educational and trade organizations, attend seminars and events, and subscribe to publications which provide information regarding common interest developments, their management, the duties and obligations of the Board, and the general operational aspects of the Association.

8.12 Association Property. The Board shall have the power, subject to the provisions of the Declaration, including any required approval of Members, to acquire, own, hold, convey, transfer, dedicate, or otherwise dispose of real or personal property consistent with the purposes and powers of the Association and the management, administration, and operation of the Development or the business and affairs of the Association, and grant and convey easements, licenses, and rights of way in, over, upon, or under the Common Area.

8.13 Indemnification of Agents. The Board shall have the power to indemnify and hold harmless, to the maximum extent permitted by California law, each person who is or at any time was a Director, officer, employee, or agent of the Association or member of any committee appointed by the Board from and against any and all claims, liabilities, expenses, judgments, fines, settlements, and other amounts, as those terms are defined by California law, actually and reasonably incurred by any such person, and to which any such person shall become subject by reason of his or her being a Director, officer, employee, or agent of the Association or member of any committee appointed by the Board.

8.14 Bank Accounts. The Board shall have the power to open bank accounts and designate signatories upon such bank accounts, subject to any restrictions set forth in the Governing Documents.

8.15 Borrowing. The Board shall have the power to borrow money in the name of the Association as provided in the Declaration.

8.16 Other Powers and Duties. The Board shall have the power to exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by other provisions of the Governing Documents, and undertake any action on behalf of the Association as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Association and/or the interests of the Association and its Members.

8.17 Limitation of Powers. The Board shall not take any of the following actions without the consent of a majority of a Simple Majority of the Class A Members of the Association, other than the Declarant, pursuant to a meeting held pursuant to Article 4, above, or by written assent pursuant to Section 4.11, above:

(a) Contracts for a Term Longer than One (1) Year. Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one (1) year. This restriction shall not apply to:

(i) FHA or VA approved management contracts;

(ii) Public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(iii) Prepaid casualty or liability insurance policies not to exceed three (3) years, provided the policies provide for short rate cancellation by the insured;

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

(v) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration, provided that the supplier is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(vi) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years' duration; provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; or

(vii) A contract for a term not to exceed three (3) years that is terminable by the Association after not longer than one (1) year without cause, penalty or other obligation upon ninety (90) days written notice of termination to the other party.

(b) Capital Improvements. Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that year. For purposes of this subsection "capital improvements" is defined as any (i) substantial discretionary addition to the Common Area, (ii) voluntary significant upgrade to Common Area materials, or (iii) discretionary material alterations to the appearance of the Development.

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

(d) Compensation. Pay compensation to Directors or the officers of the Association; provided, however, that Directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in carrying on the business of the Association.

(e) Vacancies on the Board. The Board shall not have the power to fill any vacancy on the Board created by the removal of a Director by election of the Members.

ARTICLE 9 DUTIES OF THE BOARD

9.1 Records and Minutes. The Board shall cause to be kept a complete record of all its acts and the corporate affairs, including an accurate and current record of the Members setting forth their names and addresses, adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, and committees of the Board, and to present a statement thereof to the Members at the annual meeting of the Members.

9.2 Pro Forma Budget. The Board shall prepare and distribute to the Members annually, not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year, a pro forma operating budget which shall include all of the following:

(a) Estimate of Revenue and Expenses. The pro forma operating budget shall include an estimate of the Association's revenue and expenses for such fiscal year on an accrual basis;

(b) Summary of Reserves. The pro forma operating budget shall include a summary of the Association's reserves based upon the most recent review or study conducted pursuant to California Civil Code Section 5550, based only on assets held in cash or cash equivalents, which summary shall be printed in bold type and shall include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component the Association is obligated to maintain, restore, repair, or replace;

(ii) A current estimate, as of the end of the fiscal year for which the study is prepared, of the amount of cash reserves necessary to maintain, restore, repair, or replace such major components;

(iii) The current amount, as of the end of the fiscal year for which the study is prepared, of accumulated cash reserves actually set aside to maintain, restore, repair, or replace such major components;

(iv) The percentage of the amount of cash reserves necessary [per subsection (ii)] that is represented by the amount of cash reserves actually set aside [per subsection (iii)];

(v) A statement regarding the mechanism or mechanisms by which the Board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms. The statement shall also include whether the Board has determined or anticipates that the levy of one (1) or more special assessments will be required to restore, repair, or replace any of the major components or to provide adequate reserves therefor. If such assessments will be required, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(vi) A general statement setting forth the procedures used for the calculation and establishment of reserves to defray the future cost of repair, replacement, or additions to those major components that the Association is obligated to maintain, restore, repair, or replace.

(c) Distribution of Pro Forma Summary. In lieu of the distribution of the pro forma operating budget, the Board may distribute a summary of such budget to all Members together with a written notice that the budget is available at the office of the Association or at another suitable location within the boundaries of the Development and that copies will be provided to a Member upon a Member's request and at the expense of the Association. If any Member so requests, the Association shall provide a copy of the pro forma operating budget to such Member by United States mail first-class postage prepaid, and such copy shall be mailed within five (5) days of such request. The written notice that is distributed to each Association Member as set forth herein shall be set forth in at least 10-point bold type on the front page of the summary of the budget.

9.3 Reserve Study. The Board shall cause to be conducted, at least once every three (3) years, a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain as part of a study of the Reserve Account requirements of the Development if the current replacement value of such major components is equal to or greater than one-half of the gross budget of the Association for the fiscal year, excluding the Association's Reserve Account for that year. The Board shall review the reserve study annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Account requirements as a result of

that review. The reserve study required by this Section shall include the minimum requirements specified in California Civil Code Sections 5570 and 5500 or comparable successor statutes.

9.4 Reserve Funds. The Board shall not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components which the Association is obligated to maintain, restore, repair, or replace and for which the reserve fund was established; provided, however, that the Board may authorize a temporary transfer of money from a reserve fund to the Association's general operating fund to meet short term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the money will be repaid to the reserve fund, and provided, further, that any such transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except as otherwise expressly provided by law. The Board shall exercise prudent fiscal management in maintaining the integrity of the Reserve Account.

9.5 Investment of Reserve Funds. The Board shall manage and invest Association reserve funds in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the most recent reserve fund study obtained by the Board as provided in these Bylaws and by law.

9.6 Transfer of Funds. In addition to all other applicable Governing Document or statutory requirements, transfers of greater than ten thousand dollars (\$10,000) or five percent (5%) of the Association's total combine Reserve Account and operating account deposits, whichever is lower, shall not be authorized from the Association's Reserve Accounts or operating accounts without prior written Board approval. The Board shall exercise prudent fiscal management in maintaining the integrity of the Reserve Account.

9.7 Review of Accounts. The Board shall review the Association's operating and Reserve Accounts at least in accordance with the following minimum requirements:

(a) Civil Code Section 5500 Review. The Board shall review the Association's operating and Reserve Accounts and financial records at least in accordance with the following minimum requirements:

(i) Operating Accounts. The Board shall review a current reconciliation of the Association's operating accounts on a monthly basis;

(ii) Reserve Accounts. The Board shall review a current reconciliation of the Association's Reserve Accounts on a monthly basis;

(iii) Compare Reserve to Budget. The Board shall review, on a monthly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Account Statements. The Board shall review, on a monthly basis, the latest account statements prepared by the financial institutions where the Association keeps its operating and Reserve Accounts;

(v) Income and Expense Statements. The Board shall review an income and expense statement for the Association's operating and Reserve Accounts on a monthly basis; and

(vi) Check Register, Ledger and Receivable Reports. Check Register, Ledger and Receivable Reports. The Board shall review, on a monthly basis, the Association's check register, monthly general ledger, and delinquent Assessment receivable reports.

(b) Director Review in Lieu of Board Meeting. Pursuant to California Civil Code Section 5501, the review requirements of Sections 9.6(a)(i) through (vi), above, may be met when every individual Director, or a subcommittee of the Board consisting of the Treasurer and at least one other Director, reviews the documents and statements described in this Section 9.6 independent of a Board meeting, so long as the review is ratified at the Board meeting subsequent to the review and that ratification is reflected in the minutes of that Board meeting.

9.8 Annual Financial Statements.

(a) Annual Report. The Board shall cause an annual report to be prepared not later than one hundred twenty (120) days after the close of the Association's fiscal year. Such annual report shall contain in appropriate detail (i) a balance sheet as of the end of the fiscal year, (ii) an income statement for such fiscal year, (iii) a statement of changes in financial position for such fiscal year, (iv) a statement of the place where the names and addresses of the current Members are located, and (v) any information required by California Corporations Code Section 8322. The annual report shall be accompanied by any report of independent accountants, or, if there is no such report, by a certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association. The latest annual report shall be sent to any Member promptly upon his or her written request.

(b) Review of Financial Statements. The Board shall for any fiscal year in which the gross income to the Association exceeds \$75,000.00, distribute to all Members of the Association within one hundred twenty (120) days after the close of such fiscal year a review of the financial statements of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

9.9 Notification Regarding Insurance Coverage. In accordance with California Civil Code Section 5300, not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year, the Board shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood and fidelity insurance policies, if any. The summary shall include the name of the insurer, the type of insurance, the policy limits of the insurance, and the amount of deductibles, if any. The Association's disclosure obligations may be satisfied by distributing to the Members a copy of the insurance policy declaration page, so long as that page presents the information specified in the preceding sentence. As soon as reasonably practicable, the Association shall notify the Members by first-class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible for any of those policies. If the Association receives any notice of nonrenewal of a policy described above, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. The summary distributed pursuant to this Section shall contain the statement required by California Civil Code Section 5300(b)(9), the current version of which is set forth on attached Exhibit "A". The statement shall be printed in at least 10-point boldface type.

9.10 Annual Notifications to Members.

(a) Lien Rights and Remedies. The Board shall distribute to the Members annually a statement describing the Association's policies and practices in enforcing lien rights and other legal

remedies for default in payment of assessments as required by California Civil Code Section 5310(a)(7).

(b) Alternative Dispute Resolution. The Board shall distribute to the Members annually a summary of the statutory provisions relating to employing alternative dispute resolution procedures in certain matters related to enforcement of the governing documents which specifically references California Civil Code Section 5925 et seq. and which includes the language required by California Civil Code Sections 5920 and 5965. The current version of the 5965 summary and the Association's initial dispute resolution procedures are set forth on attached Exhibit "B". The summary shall be provided either at the time the budget required by Section 9.2 of these Bylaws is distributed or in the manner specified in California Corporations Code Section 5016.

(c) Fines, Penalties and Sanctions. The Board shall distribute to the Members annually a copy of the procedures applicable to imposition of a fine or other monetary penalty, suspension of a Member's rights and privileges, or other sanctions, pursuant to California Civil Code Section 5850.

(d) Insurance. The Board shall distribute to the Members annually a notice and statement concerning the insurance carried by the Association as required by Section 9.8 of these Bylaws and California Civil Code Section 5300(b)(9).

(e) Pro Forma Operating Budget. The Board shall distribute to the Members annually a pro forma operating budget as required by Section 9.2 of these Bylaws and California Civil Code Section 5300(b)(1).

(f) Copies of Minutes. The Board shall distribute to the Members annually a statement explaining the Members' right to obtain copies of minutes of Board Meetings as required by Section 7.12 of these Bylaws and by California Civil Code Section 4950(b).

(g) Assessments and Foreclosure. The Board shall distribute to the Members annually the notice regarding assessments and foreclosure required by California Civil Code Section 5730(a), the current version of which is set forth on attached Exhibit "C". The notice shall be printed in at least 12-point type and shall be distributed during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

(h) Architectural Review Process. The Board shall distribute to the Members annually a notice of the requirements for Association approval of physical changes to property by a Member. The notice shall describe the types of changes that require Association approval and shall include a copy of the procedures used to review and approve or disapprove a proposed change.

(i) Summary of Reserve Funding Plan. The Board shall distribute to the Members annually a summary of the reserve funding plan adopted by the Board, as required by Section 9.3 of these Bylaws and as specified in California Civil Code Section 5550(b)(5). The summary shall include notice to Members that the full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any Member upon request.

(j) FHA Project Certification. The Board shall distribute to the Members annually a statement describing the status of the Development as a Federal Housing Administration (FHA)-approved condominium project pursuant to FHA guidelines, including whether the Development is an FHA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development is a condominium project. The association of this common interest development [is/is not (circle one)] certified by the Federal Housing Administration.

(k) VA Project Certification. The Board shall distribute to the Members annually a statement describing the status of the Development as a federal Department of Veterans Affairs (VA)-approved condominium project pursuant to VA guidelines, including whether the Development is a VA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

Certification by the Federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development is a condominium project. The association of this common interest development [is/is not (circle one)] certified by the federal Department of Veterans Affairs.

9.11 Notice of Assessments. As more fully provided in the Declaration, the Board shall: (i) send written notice to each Owner in advance of each fiscal year of the Regular Assessment levied against his or her Unit for that fiscal year; and (ii) collect assessments levied by the Association by foreclosing the lien against any property for which assessments are not paid as required in the Declaration and/or by bringing an action at law against the Owner personally obligated to pay the same. The Board shall establish and inform Owners of a mailing address for overnight payments, and shall timely call such Board Meetings as necessary to comply with any meeting requested by a Member pursuant to Civil Code Section 5660(d). To the extent one (1) document provides the information required in more than one (1) of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

9.12 Certificate of Payment of Assessments. The Board shall issue, or cause an appropriate officer to issue, upon demand by any proper person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

9.13 Insurance. To the extent they are available at a reasonable premium cost, the Board shall obtain and maintain in force the policies of insurance described in Article 10 of the Declaration.

9.14 Enforcement of Governing Documents. The Board shall enforce the provisions of the Governing Documents, as more particularly set forth in the Declaration, and perform all acts required of the Board under the Governing Documents or required by law.

ARTICLE 10 OFFICERS AND THEIR DUTIES

10.1 Enumeration of Officers. The officers of the Association shall be a President, a Vice-President, a Secretary, and a Chief Financial Officer (who may from time to time be referred to as the Treasurer), and such other officers as the Board may, from time to time, by resolution appoint. All officers of the Association shall be Directors.

10.2 Election of Officers. The Board shall elect the officers. The election of officers shall take place immediately following the election of the Board, or at the first Board Meeting following an election of a new Director.

10.3 Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year, unless he or she shall sooner resign, be removed by the Board, or otherwise be disqualified to serve.

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

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

10.6 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/she replaces, subject to the Board's right to remove an officer.

10.7 Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices, except in the case of special offices created pursuant to Section 10.4 of these Bylaws.

10.8 President. The President shall be the chief executive officer of the Association and shall, subject to control of the Board, have general supervision, direction, and control of the affairs and the other officers and the employees and agents of the Association. The President shall preside at all meetings of the Members and at all Board Meetings, shall have the general powers and duties of management usually vested in the office of the President of an Association, and shall have such other powers and duties as may be prescribed by the Board and the Bylaws, subject, however, to any limitations contained in the Declaration.

10.9 Vice-President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting, shall have all of the powers of, and be subject to all of the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board.

10.10 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may prescribe, a book of minutes of all Board Meetings, meetings of the Members, and Committees of the Board setting forth the time and place of holding of such meetings; whether regular or special, and if special, how authorized; the notice thereof given; the names of those present at Board Meetings or meetings of Committees of the Board; the number of memberships and votes present or represented at Members' meetings; and all the proceedings thereof. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board Meetings required by the Bylaws or by law to be given and shall maintain a proper record of the giving of such notice, and shall keep the books, records, and documents of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

10.11 Treasurer. The Treasurer shall be responsible for the receipt and deposit in appropriate accounts of all monies of the Association and shall cause disbursement of such funds as directed by resolution of the Board; may sign all checks and promissory notes of the Association; shall cause to be kept proper

books of account; shall cause an annual review of the Association's books and financial statements to be made by a public accountant at the completion of any fiscal year for which such review is required by law or as determined by the Board; shall assist the Board in preparation of an annual budget and a statement of income and expenditures to be presented to the Members of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board.

10.12 Conflicts of Interest. No Association official (including Directors, officers, committee members and/or manager) shall make, participate in making, or in any way attempt to use his or her official position to influence an Association decision in which that official knows, or has reason to know, that the official has a direct or indirect financial interest which is distinguishable from the financial interests of the Members of the Association generally.

ARTICLE 11 COMMITTEES

11.1 Committees of the Board. Any "Committee of the Board" (that is, a committee consisting only of Directors, as referred to in California Corporations Code Section 7212) shall consist of at least two (2) Directors and shall have such powers and duties as the Board shall determine, subject to the limitations of California Corporations Code Section 7212.

11.2 Standing Committees. The Board may appoint standing committees consisting of at least one (1) person who is not a Director. Directors may be members of committees created pursuant to this Section provided that fewer than a majority of Directors then in office serve on any one (1) such committee. Such committees shall not be required to keep minutes but shall report on their activities to the Board from time to time as directed by the Board and shall operate under the supervision of and at the direction of the Board. No standing committee shall have the authority to enter into contracts or otherwise act on behalf of the Association. The Board shall have the right at any time, in its complete discretion, to disband any standing committee or remove any member thereof.

11.3 Compensation of Committee Members. No committee member shall receive compensation for any service he or she may render to the Association as a committee member. However, upon approval by the Board, any committee member may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.

ARTICLE 12 BOOKS, RECORDS AND FUNDS

12.1 Inspection of Records. The Association shall make available Association Records and Enhanced Association Records for inspection and copying by a Member of the Association, or the Member's designated representative. The Association may bill the requesting Member for the direct and actual cost of copying requested documents. The Association shall inform the Member of the amount of the copying costs before copying the requested documents. A Member of the Association may designate another person to inspect and copy the specified Association Records on the Member's behalf. The Member shall make this designation in writing. The Association shall make the specified Association Records available for inspection and copying in the Association's business office within the Development.

12.2 Procedures for Inspection of Records if No Association Office Within Development. If the Association does not have a business office within the Development, the Association shall make the specified Association Records available for inspection and copying at a place that the requesting Member and the Association agree upon. If the Association and the requesting Member cannot agree upon a place for inspection and copying, or if the requesting Member submits a written request directly to the Association for copies of specifically identified records, the Association may satisfy the requirement to make the Association Records available for inspection and copying by mailing copies of the specifically identified records to the Member by first-class mail.

12.3 Cost of Copying. The Association may bill the requesting Member for the direct and actual cost of copying and mailing requested documents. The Association shall inform the Member of the amount of the copying and mailing costs, and the Member shall agree to pay those costs, before copying and sending the requested documents. In addition to the direct and actual costs of copying and mailing, the Association may bill the requesting Member an amount not in excess of ten dollars (\$10) per hour, and not to exceed two hundred dollars (\$200) total per written request, for the time actually and reasonably involved in redacting the Enhanced Association Records. The Association shall inform the Member of the estimated costs, and the Member shall agree to pay those costs, before retrieving the requested documents. Requesting parties shall have the option of receiving specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that does not allow the records to be altered. The cost of duplication shall be limited to the direct cost of producing the copy of a record in that electronic format. The Association may deliver specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that prevents the records from being altered.

12.4 Association's Right to Withhold or Redact Information. The Association may withhold or redact information from the Association Records for any of the following reasons.

(a) Identity Theft. The release of the information is reasonably likely to lead to identity theft. For the purposes of this subsection, "identity theft" means the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money, or property.

(b) Fraud or Misrepresentation With Respect to the Association. The release of the information is reasonably likely to lead to fraud in connection with the Association.

(c) Legally Privileged Information. The information is privileged under law. Examples include documents subject to attorney-client privilege or relating to litigation in which the Association is or may become involved, and confidential settlement agreements.

(d) Individual Member Privacy. The release of the information is reasonably likely to compromise the privacy of an individual Member.

- (e) Individual Member Information. The information contains any of the following:
- (i) Records of a-la-carte goods or services provided to individual Members for which the Association received monetary consideration other than Assessments;
 - (ii) Records of disciplinary actions, collection activities, or payment plans of Members other than the Member requesting the records;
 - (iii) Any person's personal identification information, including, without limitation, social security number, tax identification number, driver's license number, credit card account numbers, bank account number, and bank routing number;
 - (iv) Minutes and other information from executive sessions of the Board;
 - (v) Personnel records other than the payroll records; and
 - (vi) Interior architectural plans, including security features, for individual Units.

(f) Compensation. Except as provided by the attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by the employee's name, social security number, or other personal information.

(g) Basis for Redaction. If requested by the requesting Member, the Association shall, upon denying or redacting Association Records, provide a written explanation specifying the legal basis for withholding or redacting the requested records.

12.5 Use of Association Records.

(a) Use of Association Records, Generally. The Association Records, and any information from them, may not be sold, used for a commercial purpose, or used for any other purpose not reasonably related to a Member's interest as a Member. The Association may bring an action against any person who violates this subsection for injunctive relief and for actual damages to the Association caused by the violation. This subsection may not be construed to limit the right of the Association to damages for misuse of information obtained from the Association Records pursuant to this subsection or to limit the right of the Association to injunctive relief to stop the misuse of this information. The Association shall be entitled to recover reasonable costs and expenses, including reasonable attorneys' fees, in a successful action to enforce its rights under this subsection.

(b) Special Requirements for Membership Lists. An Association Records request by a Member for the Association's lists of Members, including name, property address, and mailing address shall be accompanied by a written statement by the Member describing 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.

12.6 Action for Inspection or Copying. A Member may bring an action to enforce the Member's right to inspect and copy the Association Records. If a court finds that the Association unreasonably withheld access to the Association Records, the court shall award the Member reasonable costs and expenses, including reasonable attorneys' fees, and may assess a civil penalty of up to five hundred dollars (\$500) for the denial of each separate written request. A cause of action under this Section may be brought in small claims court if the amount of the demand does not exceed the jurisdiction of that court. The Association may recover any costs if the court finds the action to be frivolous, unreasonable, or without foundation.

12.7 Time Period for Retention and Producing Records.

(a) Association Records Retention Requirements. The Association Records shall be made available for the current fiscal year and for each of the previous two (2) fiscal years. Minutes of Member meetings and Board Meetings shall be permanently made available. If a committee has decision making authority, minutes of the meetings of that committee shall be permanently made available.

(b) Production of Requested Records. Association Records prepared during the current fiscal year, shall be produced within ten (10) business days following the Association's receipt of the request. Association Records prepared during the previous two (2) fiscal years, within thirty (30) calendar days following the Association's receipt of the request. Any record or statement available pursuant to California Civil Code Section 5300 or 4525, shall be produced within the time-frame specified therein. Minutes of Member meetings and Board Meetings, shall be produced within the

time-frame specified in California Civil Code Section 4950(a). Minutes of meetings of committees with decision-making authority shall be produced within fifteen (15) calendar days following approval. The lists of Members shall be produced within the time-frame specified in Section 8330 of the Corporations Code.

12.8 Liability for Identity Theft. The Association, its officers, Directors, employees, agents or volunteers of the Association shall not be liable for damages to a Member or any third party as the result of identity theft or other breach of privacy because of the failure to withhold or redact that Member's information under this Article 12, unless the failure to withhold or redact the information was intentional, willful, or negligent. Any person submitting a reimbursement request shall be solely responsible for removing all personal identification information from the request.

12.9 Checks, Drafts, and Evidences of Indebtedness. All checks, drafts, or other orders for payment of money and all notes or other evidences of indebtedness, issued in the name of the Association shall be signed by (i) any two (2) Directors, (ii) any two (2) officers of the Association, (iii) any officer of the Association and any Director, or (iv) in any other manner specified by the Board; provided, however, that the signatures of at least two (2) Directors shall be required for the withdrawal of funds from the Association's Reserve Account.

12.10 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in such banks or other depositories as the Board shall, from time to time, determine.

12.11 Fiscal Year. The fiscal year of the Association shall run from January 1 through December 31 of each year unless otherwise determined by resolution of the Board.

12.12 Delivery of Documents to Members.

(a) Document Distribution. All notices and documents distributed by the Association to Members shall be delivered by one (1) or more of the following methods:

(i) Personal delivery.

(ii) First-class mail, postage prepaid, addressed to a Member at the address last shown on the books of the Association or otherwise provided by the Member. Delivery is deemed to be complete on deposit into the United States mail.

(iii) E-mail, facsimile, or other electronic means, if the Member has agreed to that method of delivery. The agreement obtained by the Association shall be consistent with the conditions for obtaining consumer consent described in Section 20 of the California Corporations Code. If a document is delivered by electronic means, delivery is complete at the time of transmission. The Member may consent to that delivery and revoke that consent by email.

(iv) By publication in a periodical that is circulated primarily to Members of the Association.

(v) If the Association broadcasts television programming for the purpose of distributing information on Association business to its Members, by inclusion in the programming.

(vi) A method of delivery provided in a Recorded provision of the Governing Documents.

(vii) Any other method of delivery, provided that the Member has agreed to that method of delivery.

(b) Delivery With Other Association Materials. A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by one of the methods provided in subsection 12.12(a).

(c) Delivery Procedures in Unrecorded Governing Documents. For the purposes of this Section 12.12, an unrecorded provision of the Governing Documents providing for a particular method of delivery does not constitute agreement by a Member to that method of delivery.

ARTICLE 13 AMENDMENTS

13.1 Amendment Before Close of First Sale. Before the close of the first sale in the Development to a purchaser other than Declarant, these Bylaws and any amendments to them may be amended in any respect or revoked by the execution by the Board of an instrument amending or revoking the Bylaws together with any consents or approvals that may be required by the Department of Real Estate. The amending or revoking instrument shall make appropriate reference to these Bylaws and their amendments.

13.2 Amendment After Close of First Sale. After the close of the first sale of a Unit within the Development to a purchaser other than Declarant, these Bylaws may be amended or revoked in any respect by the vote or assent by written ballot of an Absolute Majority, including the holders of not less than a majority of the Total Voting Power of each class of Members. If a two-class voting structure is no longer in effect in the Association because of the conversion of Class B membership to Class A membership, as provided in the Declaration, any amendment hereof will require the vote or assent by written ballot of both: (i) an Absolute Majority of the Association; and (ii) the vote of a majority of the Total Voting Power held by Members other than Declarant. Notwithstanding the foregoing, the percentage of the Total Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

13.3 Amendment By Board. The Board may, without the approval of the Members, amend any part of these Bylaws to the limited extent necessary to comply with a change in applicable federal, state or local legislation, and to correct typographical errors.


ARTICLE 14 MISCELLANEOUS

In the case of any conflict between the articles of incorporation and these Bylaws, the articles of incorporation shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

CERTIFICATE OF ADOPTION

The undersigned, Incorporator of the corporation known as Lincoln at Orange Grove Community Association, hereby certifies that the above and foregoing Bylaws, together with attached Exhibit "A", Exhibit "B", and Exhibit "C", were duly adopted by action of the Incorporator on June 3, 2022, and that these Bylaws constitute the Bylaws of the Association.

**LINCOLN AT ORANGE GROVE COMMUNITY
ASSOCIATION,**
a California nonprofit mutual benefit corporation

By: 

Bruce R. Inman, Incorporator

EXHIBIT "A"

STATEMENT REGARDING INSURANCE COVERAGE

This summary of the Association's policies of insurance provides only certain information, as required by subdivision (b)(9) of 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.

EXHIBIT "B"

ALTERNATIVE DISPUTE RESOLUTION DISCLOSURE

The Association supports the use of alternative dispute resolution procedures and follows the dispute resolution procedures described in California Civil Code Section 5925 et seq. Failure of a Member to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of your right to sue the Association or another Member regarding enforcement of the Governing Documents or the applicable law.

THE ASSOCIATION'S DISPUTE RESOLUTION PROCEDURES

The Association's dispute resolution procedure for disputes between the Association and a Member involving the Davis-Stirling Common Interest Development Act (California Civil Code Section 4000 et seq.), the Nonprofit Mutual Benefit Corporation Law (California Corporation Code Section 7110 et seq.), or under the Governing Documents is as follows:

1. Either party to a applicable dispute may invoke the following procedure:
 - (a) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.
 - (b) A Member may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.
 - (c) The Board shall designate a Director to meet and confer.
 - (d) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.
 - (e) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.
2. An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:
 - (a) The agreement is not in conflict with law or the Governing Documents.
 - (b) The agreement is either consistent with the authority granted by the Board to its designee or the agreement is ratified by the Board.
3. A Member may not be charged a fee to participate in the process.

EXHIBIT "C"

NOTICE REGARDING ASSESSMENTS AND FORECLOSURE

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent fifteen (15) days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. The association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorneys' fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than twelve (12) months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 5700 et seq. of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Section 5600 et seq. of the Civil Code)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorneys' fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Section 5600 et seq. of the Civil Code)

The association must comply with the requirements of Section 5650 et seq. of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5690 of the Civil Code)

At least thirty (30) days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660(a) of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within twenty-one (21) days, and to provide an owner certain documents in this regard. (Section 5685(b) of the Civil Code)

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

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655(c) of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5660(c) of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 5665(a) of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665(a) of the Civil Code)