

**THIRD RESTATED BY-LAWS OF LAKE FOREST GLEN UNIT NO. 1
HOMEOWNERS ASSOCIATION**

MAY 22, 2010

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**THIRD RESTATED BY-LAWS OF LAKE FOREST GLEN UNIT NO. 1
HOMEOWNERS ASSOCIATION**

ARTICLE I

Recitals and Definitions

[1.1] Name of Association. The name of this corporation is the Lake Forest Glen Unit No. 1 Homeowners Association and shall be referred to herein as the "Association."

[1.2] Association Is Nonprofit. The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Corporations Code sections 7110-8970) as a nonprofit mutual benefit corporation.

[1.3] Specific Purpose. The specific and primary purpose of this Association shall be to repair, maintain, and manage the Common Area and Common Facilities within that certain real estate common interest development located in the County of Placer, State of California, to maintain individual Lots and the Residences located thereon to the extent and in the manner more particularly described in the Declaration, enforce the Rules and Regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration and otherwise to enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

[1.4] Definitions.

(a) **County.** The term "County" means the County of Placer, State of California.

(b) **Declaration.** The term "Declaration" means all restrictions, covenants, terms and conditions set forth in the Third Restated Declaration of Covenants, Conditions, and Restrictions recorded in the Office of the Placer County Recorder with respect to the Properties at Lake Forest Glen Unit No. 1 complex, Official Records of said County, as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder's Office.

(c) **Majority of a Quorum.** "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in Article V, section 5.5, below.

In the case of membership meetings, the voting power of a particular Member may be represented at the meeting by proxy as provided in Article IV, section 4.5.

(d) **Office of the Recorder.** The term "Office of the Recorder" means the Office of the Recorder, County of San Mateo, State of California.

(e) **Person.** The term "Person" means and includes any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

(f) **Voting Power.** The term "Voting Power" means those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time any determination of voting power is made.

(g) **Definitions Incorporated by Reference.** The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE II

Principal Office

[2.1] Location of Principal Office. The principal office of the Association will be located at such place within the County as the Board may from time to time designate by resolution.

ARTICLE III

Membership

[3.1] Members of the Association. Every Owner of a lot within the Properties is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any lot.

[3.2] Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under Article III, section 3.1, above. Upon the sale, conveyance or other transfer of an Owner's interest in a lot, the Owner's membership interest appurtenant to the lot shall automatically transfer to the Lot's new Owner(s).

[3.3] Multiple Ownership of Lots. Ownership of a lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a lot, all of such persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. The Secretary of the Association shall be notified in writing of the Owner designated by his or her Co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received the Secretary may accept the vote of any Owner of Record or proxy holder of such an Owner as the vote attributable to the lot in question, provided that if the multiple Owners of a lot attempt to vote the membership attributable to said lot in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the lot. However, the refusal to count said ballot shall not reduce the number of members present, for purposes of determining if there is a quorum.

[3.4] Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he or she is qualified to be a Member under Article III, section 3.1, above, and, if requested by the Secretary, has provided the secretary with evidence of such qualification in the form of a copy of a recorded grant deed (certified by the Office of the Recorder) or a currently effective policy of title insurance. Exercise of membership rights shall be further subject to the rules regarding

record dates for notice, voting, and actions by written ballot and eligibility for voting set forth in Article V, section 5.8.

ARTICLE IV

Membership Voting

[4.1] Single Class of Membership. The Association shall have one class of voting membership.

[4.2] Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these By-Laws or otherwise, each Member shall be entitled to cast one vote for each lot owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Article III, section 3.3 of these By-Laws.

[4.3] Eligibility To Vote. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with Article X, section 10.5 of the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Article V, section 5.8. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing in accordance with the Declaration.

A Member who owns more than one lot shall be ineligible to vote if that Member is delinquent with respect to any such lot.

[4.4] Manner of Casting Votes.

(a) Voting at Membership Meetings.

Due to the size of the Association's membership and the number of nonresident Members, all Member voting shall be conducted by written ballot as provided in Article IV, section 4.6. Voting at any membership meetings shall be limited to (i) the receipt of written ballots previously mailed to the Members; (ii) the conduct of informational, nonbinding votes to poll the Members in attendance with respect to a matter or of interest to the Association or the common interest development; (iii) to approve a motion for the submission of a matter or proposal to the members for a vote by written ballot in accordance with Article IV, section 4.6; or (iv) votes on procedural matters relating to the conduct of the meeting, such as a vote to adjourn. Any motion pursuant to subparagraph (iii) of the preceding sentence must be approved by the affirmative vote of at least 5 percent of the voting power of the Members. Nothing herein shall prevent a qualified Member from voting on any issue or election by casting a written ballot at such meeting.

The vote on 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 10 percent of the voting power present at the meeting.

(b) Voting by Written Ballot. Except for the limited membership voting permitted at meetings (see subparagraph (a), above), Members' votes shall be solicited by written ballot with respect to any issue requiring membership approval under the Governing Documents or by law. Written ballot voting shall be conducted in accordance with Article IV, section 4.6.

(c) Proxy Voting. Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Article IV, section 4.5.

(d) Cumulative Voting. Cumulative voting shall not be permitted.

[4.5] Proxies

(a) Proxies Generally. Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Secretary of the Association. Any proxy shall be for a term not to exceed 11 months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates shown on the forms of proxy presumptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a lot as provided in Article III, section 3.1.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

(i) Removal of directors without cause;

(ii) Filling of vacancies on the Board;

(iii) Approval of contracts or transactions between the Association and one or more of its directors, or between the Association and a corporation, firm or association in which one or more of its directors has a material financial interest;

(iv) Amendment of the Articles of Incorporation, these By-Laws, or the Declaration;

(v) Action to change any Association assessments in a manner requiring membership approval under the Declaration or by law;

(vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;

(vii) Merger of the Association or an amendment to an agreement of merger; and

(viii) Voluntary dissolution of the Association.

(d) Limited Proxies. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a reference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(ii) If a proxy form issued in connection with the election of directors lists the candidates' names and the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(e) Restriction or Elimination of Proxy Rights: Limitation on Authority. No amendment of the Articles or By-Laws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the voting power of each class of Member represented and voting at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the voting power of Members by written ballot as provided in Article IV, section 4.6.

(f) Proxy Rules for Memberships Held by More Than One Person. Where two or more persons constitute a Member, any proxy with respect to the vote of such Member need only be signed by one Owner. All such persons may attend meetings, but no vote of such Member shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

(g) No Proxy Voting in Connection With Written Ballots. Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Article IV, section 4.6.

(h) Revocation of Proxies. Any proxy issued hereunder shall be revocable by the Member executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation; or (ii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. A proxy shall be deemed revoked when the secretary receives actual notice of the death or judicially declared incompetence of the issuing Member, or upon termination of such Member's status as an Owner of a Lot as provided in Article III, section 3.2, or upon receipt of written revocation by the member executing the proxy.

[4.6] Action by Written Ballot.

(a) **Definition of Written Ballot.** A “written ballot” is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this section 4.6. The term “written ballot” also includes a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) **Written Ballots Generally.** Any matter or issue requiring the vote of the Members, including the election of directors, may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, as long as the requirements for action by written ballot set forth in this section 4.6 are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board.

Alternatively, that determination may be made by Members possessing 5 percent of the total voting power of the membership signing a written request and delivering this request to the President, Vice President or Secretary.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date as provided in Article V, section 5.8 (a)(iii) for purposes of determining those Members eligible to cast written ballots.

(c) **Balloting Time Requirements.**

(i) **Director Elections.** The balloting in director elections shall be scheduled to culminate on the date of the annual membership meeting in the case of any vacancy created by the normal expiration of a director’s term of office. In the case of a special election called to fill a vacancy caused by the removal of a director, the balloting shall be scheduled to culminate on the date established for a special meeting called for the purpose of providing prospective candidates an opportunity to present their qualifications and platform to the members.

In the case of written ballots used in the election of directors, the ballots shall be mailed to all Members who are eligible to vote not more than 30 days prior to the date set for the election, but no less than 15 days prior to such date. If the Member elects to return his or her written ballot by mail or personal delivery to the address set forth in the solicitation materials for return of the ballots prior to the meeting at which the director election will be held, the written ballot must be received no later than the close of business on the second business day prior to the scheduled meeting date. If the Member elects to return his or her written ballot in person at the meeting, the ballot must be inserted in the ballot box prior to conclusion of the time scheduled on the meeting agenda for receipt of ballots and conclusion of the election process at the meeting.

(ii) **Other Matters.** In the case of any other matter or issue submitted to the Members for approval by written ballot, the Board shall distribute the written ballot to every Member entitled to vote on the matter at least 30 days prior to the final date the written ballots are to be received to be counted.

(iii) **Extension of the Balloting Period.** The time fixed for the return of written ballots may be extended only if the Board so notifies the Members in the balloting materials originally sent to Members and then for not more than two successive periods of 30 days each.

Notwithstanding the foregoing, if a meeting that is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened.

(d) Content of Written Ballots.

(i) Written Ballots Used for Voting in Director Elections. Written ballots used in any election of directors shall set forth the names of the candidates whose names have been placed in nomination at the time the ballot is issued as provided in Article VII, section 7.4. The ballot form shall also provide a space where the Member can designate a vote for another (write-in) candidate.

(ii) Written Ballots Used for Voting on Other Matters. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(iii) Specification of Time for Return of Written Ballot. All written ballots shall state the time by which the ballot must be received in order to be counted (see subparagraph (c) above).

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum as specified in Article V, section 5.5 that would have been required to be present at a membership meeting if a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

If the time for returning written ballots is extended in accordance with subparagraph (c)(iii), above, the reduced quorum percentage specified in Article V, section 5.5(a)(iii) shall apply during the extension period(s).

(f) Solicitation Rules.

(i) Solicitation Rules Generally. Written ballots shall be solicited in a manner consistent with the requirements of Article V, section 5.4, pertaining to the issuance of notices of Members' meetings. All solicitations of written ballots shall indicate (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Association in order to be counted; and (C) in the case of any written ballot distributed to vote on matters other than the election of directors, the percentage of affirmative votes necessary to approve the measure submitted for membership approval. If the period for the return of written ballots is extended under subparagraph (c)(iii), above, the Board shall be entitled to announce to the Members the aggregate votes for or against the proposal received as of the extension date.

(ii) Director Elections. In addition to the requirements of subparagraph (i), above, solicitation materials accompanying written ballots distributed in director elections shall advise

the Members that their ballots may be returned by mail or personal delivery to the Association's principal office.

If a Member attends the membership meeting in person and has not returned the ballot by mail, it will be necessary for the Member to register during the registration period and receive a different form of ballot. The solicitation materials shall also set forth the address where written ballots can be returned by mail or personal delivery in advance of the meeting at which the election will be held.

(g) Independent Election Inspector.

(i) The Board of Directors shall appoint one independent third party as an inspector of election. The Board of Directors may appoint the Association's attorney(s), accountant(s) or any other reasonably qualified independent neutral third party as election inspector. The number of inspectors shall be one. The inspector shall do all of the following:

(A) Determine the number of memberships entitled to vote and the voting power of each.

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

(C) Receive ballots.

(D) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.

(E) Count and tabulate all votes. Count and tabulation shall occur at a properly noticed open meeting of the Board of Directors or members. Any candidate or other member of the association may witness the counting and tabulation of the votes. No person, including a member of the association 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.

(F) Determine when the polls shall close.

(G) Determine the result of the election. The results of the election shall be promptly reported to the Board of Directors of the association and shall be recorded in the minutes of the next meeting of the Board of Directors and shall be available for review by members of the association.

(H) Perform any acts as may be proper to conduct the election with fairness to all members in accordance with this section and all applicable rules of the association regarding the conduct of the election that are not in conflict with this section.

(ii) An inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as practical.

(iii) The sealed ballots shall at all times be in the custody of the inspector of election or at a location designated by the inspector until after the tabulation of the vote, at which time

custody shall be transferred to the association. If the Association attorney is the election inspector, retention by the attorney shall be considered a transfer to the Association.

(h) **Notification of Results of Balloting Process.** Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. In the case of an election of directors, the Board shall also notify those Members present at the meeting of the results of the election immediately upon conclusion of the balloting process. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements for valid action, the Board shall so notify the Members.

(i) **Revocation of Written Ballots.** If a Member who has cast a written ballot desires to change his or her vote, the Member may do so provided he or she so notifies the Secretary of the Association in writing prior to close of the balloting period and casts a new ballot within the balloting period.

(j) **Conduct of Informational Meetings.** Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a membership meeting to coincide with the culmination of the balloting period. In the case of director elections, the balloting period shall culminate with the annual meeting, or any special meeting, at which the election is scheduled to be held (see subparagraph (c)(i) above).

[4.7] Majority Vote Required. If a quorum is present, the affirmative vote of the majority of the voting power of Members represented at the meeting, entitled to vote and voting on any matter (other than the election of directors), shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

[4.8] Action by Unanimous Written Consent. Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. When an action is taken by written consent, the consent(s) shall be filed with the Association's minutes.

ARTICLE V

Membership Meetings

[5.1] Place of Meeting. Meetings of the Members shall be held at the offices of the Association within the Properties or at such other reasonable place within the County and at such time as may be designated by the Board in the notice of the meeting.

[5.2] Annual Meeting. An annual meeting of the Members shall be held on a Saturday in October of each year. The location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members. If the date for the annual meeting is a legal

holiday, the annual meeting shall be held at the same hour on the Saturday next following the regular annual meeting date.

[5.3] Special Meetings.

(a) **Persons Entitled To Call Special Meetings.** A majority of the Board, the President or 5 percent or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Association.

(b) **Procedures for Calling Special Meetings Requested by Members.** If a special meeting is called by Members other than the Board of Directors or President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by first class mail or by electronic mail or facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of this section 5.3, that a meeting will be held, and the date, time, and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request.

If notice of the meeting is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

[5.4] Notice of Members' Meetings.

(a) **Requirement That Notice Be Given.** Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Article V, section 5.8.

(b) **Time Requirements for Notice.** The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this section 5.4, not less than 10 nor more than 90 days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered, or certified mail, the notice shall be given not less than 20 days (nor more than 90 days) before the meeting.

(c) **Minimum Requirements Regarding Content of Notice.** The notice of any membership meeting shall specify the place, date, and hour of the meeting. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted, and no other business may in that case be transacted at the special meeting. In the case of a regular meeting, the notice shall also describe those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) **Specification of Certain Significant Actions.** If any action is proposed to be taken at any membership meeting for approval of any of the following proposals, the notice shall also

state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Article VII, section 7.6 of these By-Laws;
- (iii) Amending the Articles of Incorporation of this Association, these By-Laws or the Declaration in any manner requiring approval of the Members;
- (iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm, or association in which one or more of its directors has a material financial interest;
- (v) Approving any change in the Association's assessments in a manner requiring membership approval under the Declaration or by law; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. Notice of any meeting of Members shall be given either personally or by first-class mail, electronic mail, or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or electronic mail or other written communication to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by electronic mail or other means of written or electronic communication to the recipient.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary or the Assistant Secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence of the giving of notice.

[5.5] Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Article IV, section 4.6 of these By-Laws:

(i) Quorum for Votes on Assessment Increases and of removal of Directors from office. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval as provided in Article IV of the Declaration or by law and removal of any director from office, the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code section 1366, as

amended, or comparable superseding statute. That quorum percentage is currently a majority of the Members.

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be 51 percent of the Members present and eligible to vote and represented in person or by proxy provided that if any regular membership meeting is actually attended, in person or by proxy, by less than one-third of the voting power of the Members the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting.

(iii) Reduction in Quorum Percentage for Action on Other Matters. If the minimum quorum percentage specified in subparagraph (c)(ii), above, is not satisfied, the meeting may be adjourned to another time and/or place not more than 30 days after the initial meeting date as provided in Article V, section 5.6, and at the reconvened meeting the quorum percentage shall be reduced to 15 percent of the voting power of the Members. If this reconvened meeting is attended by less than one-third of the voting power of the members (but a quorum is present) the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting, subject in all instances to the limitations on voting at meetings imposed by Article IV, section 4.4(a).

(b) Members Represented by Proxy. Members present at a membership meeting in person, by ballot or by proxy shall be counted toward satisfaction of the quorum requirements specified herein.

(c) Effect of Departure of Members From Meeting. The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

[5.6] Adjourned Meeting.

(a) Adjournment Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than 30 days) by the vote of the majority of Members present at the meeting either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date as provided in Article V, section 5.8, is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

[5.7] Waiver of Notice or Consent by Absent Members.

(a) **Waivers and Consents Generally.** If decisions are made or an action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting in person or by proxy consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Article V, section 5.4(d), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents, or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) **Effect of a Member's Attendance at a Meeting.** Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein pursuant to Article V, section 5.4(d), if that objection is expressly made at the meeting.

[5.8] Record Dates for Member Notice; Voting and Giving Consents.

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

(i) **Record Date for Notice of Meetings.** In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than 90 nor less than 10 days before the date of the meeting;

(ii) **Record Date for Voting.** In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than 60 days before the date of the meeting;

(iii) **Record Date for Action by Written Ballot Without Meeting.** In the case of determining Members entitled to cast written ballots, the record date shall be no more than 60 days before the day on which the first written ballot is mailed or solicited; and

(iv) **Record Date for Other Lawful Action.** In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than 60 days prior to the date of such other action.

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

(i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(ii) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

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

ARTICLE VI

Membership Rights

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

[6.1] Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her family who also reside in the Member's residence shall be entitled to the use and enjoyment of all Common Areas, roads, and Common Facilities within the Properties.

[6.2] Tenants and Lessees.

(a) Assignment of Rights Generally. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's residence. Such assignment shall be effective only so long as said tenant is residing in said residence and is in compliance with these By-Laws, the Declaration and the Association's Rules and Regulations in effect at that time. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents.

Without limiting the foregoing, reference is specifically made to Article II, section 2.13 of the Declaration for additional Tenant and lease restrictions.

(b) Effectiveness of Assignment. Assignment of an Owner's right to use the Common Facilities (other than roads) to a tenant or lessee shall not be effective until such time as the Owner-Member has given the Secretary written notice thereof setting forth the name of the assignee and the members of his or her family who will be entitled to the use and enjoyment of the Common Areas, Common Facilities, and roads within the Properties by virtue of the assignment.

[6.3] Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the Common Areas, Common Facilities, and roads within the Properties, as long as the guest or invitee is in the company and supervision of the Member. Any such guest or invitee shall be subject to the same obligations imposed on the Owner to observe the rules, restrictions, and regulations of the Association as set forth in the Governing Documents.

[6.4] Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations, and restrictions set forth herein, in the Declaration, and in the Association's published Rules and Regulations as promulgated by the Board from time to time. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to suspend the use and enjoyment of any Common Area and Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents, provided, however, that any such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in Article X, section 10.5 of the Declaration.

ARTICLE VII

Board of Directors

[7.1] General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Civil Code sections 1350-1378, as amended) and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. Subject to the limitations expressed in Article X, section 10.1, the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

[7.2] Number and Qualification of Directors. The Board of Directors shall consist of nine persons who shall be Owners of lots and who reside within the Properties and whose memberships are in good standing with all Assessments current and are not subject to any suspension of membership rights. Only one Owner per lot shall be eligible to serve on the Board at any time.

[7.3] Term of Office

The term of office for Directors shall be two years. Two Directors shall be elected in the year in which these By-Laws shall be adopted. Three Directors shall be elected in the year thereafter.

There shall be no limitation upon the number of consecutive terms to which a director may be reelected. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

[7.4] Nomination of Directors. Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) **Candidates Selected by Nomination Committee.** At least 90 days prior to the date of any election of directors, the President shall appoint a nominating committee to select qualified candidates for election to those positions on the Board of Directors held by directors whose terms of office are then expiring. The nominating committee shall consist of a chairperson who shall be a Member of the Board of Directors, and two or more Members of the Association who may or may not be Board Members. The nominating committee shall make its report at least 60 days before the date of the election, and the Secretary shall forward to each Member, with the notice of meeting required by Article V, section 5.4, a list of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies on the Board to be filled.

(b) **Nominations From the Floor.** If there is a meeting to elect directors any Member present in person or by proxy at a meeting to elect directors may place names in nomination.

(c) **Self Nomination.** A Member may nominate him/herself.

The Member circulating the petition shall append his or her written certification to the petition attesting to the validity of the signatures. Candidate petitions must be filed with the Secretary no later than 30 calendar days and no earlier than 50 calendar days prior to the annual election.

(d) **Good Standing Requirement for Candidacy.** To be eligible for nomination and election to the Board, a candidate Member must be certified by the Association Secretary that he or she is in good standing with the Association and is current in the payment of Assessments both at the time his or her name is placed in nomination and as of the election date.

[7.5] Election of Directors.

(a) **Directors Elected by Written Ballot.** The annual election of Directors shall be conducted by written ballot in accordance with Article IV, section 4.6. Directors shall be elected in accordance with the written ballot procedures of that section to fill the number of positions on the Board then expiring.

(b) **Determination of Election Results and Succession to Office.** The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be

elected as directors and shall take office on January 1 of the year next following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by lot.

[7.6] Vacancies on Board of Directors.

(a) Vacancies Generally. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation, or removal of a director under paragraphs (c) and (d) below; (ii) an increase of the authorized number of directors; or (iii) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) Resignation of Directors. Except as provided in this paragraph, any director may resign, and such resignation shall be effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code sections 7233-7236 (relating to the standards of conduct of directors); or (iv) fails to attend three consecutive regular meetings of the Board of Directors that have been duly noticed in accordance with California law.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraphs(s) (c) of this Article VII, section 7.6, a director may be removed from office prior to expiration of his or her term only by the affirmative vote of a majority of the voting power of the Members.

Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the President, Vice President, or Secretary of the Association and must carry the signatures of Members in good standing who represented at least 5 percent of the voting power of the membership. Such petition must set forth the reason(s) the petitioners are seeking the director's removal; the signature and Lot number(s) of each petitioner in his or her own handwriting; the name(s) of the sponsor(s) of the petition; and must fulfill all other requirements of law.

(ii) Within 20 days after receipt of such petition, the Board shall either call a special meeting or announce the procedures for conducting a written ballot of the Members to vote upon the requested recall. Such meeting or written ballot shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting or written ballot within 20 days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(iii) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(iv) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

(e) **Removal by Court Action.** The County Superior Court may, in response to a suit filed by any director or the lesser of 20 Members or 5 percent of the Members, remove any director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Association. The Association shall be made a party to any such action.

(f) **Filling Vacancies.** Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director, in which case the vacancy shall be filled by the affirmative vote of a majority of the Members represented in person or by proxy at a duly held meeting of the Members or by written ballot in accordance with Article IV; section 6. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors by an election at a duly held meeting of the Members or written ballot and shall require the approval of a majority of the voting power.

(g) **Reduction in Number of Directors.** No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

ARTICLE VIII

Board Meetings

[8.1] Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within the Properties that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the above provisions of this section 8.1, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Any meeting, regular or special, may be held by telephone conference or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

[8.2] Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purposes of organization, and the transaction of other business. Notice of this meeting shall not be required.

[8.3] Other Regular Meetings. Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. Ordinarily, regular meetings shall be conducted at least

monthly. However, regular meetings can be held as infrequently as every six months if the Board's business does not justify more frequent meetings. Notice of the time and place of regular meetings shall be noted in the Association's monthly newsletter or posted in a prominent place within the Common Area, or otherwise provided in writing to the members, and shall be communicated to the Board members not less than 72 hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in Article VIII, section 8.7.

[8.4] Special Meetings of the Board.

(a) Who May Call a Special Meeting. Special meetings of the Board of Directors may be called for any purpose at any time by the President or any two Directors or by 5% of the Members, in writing.

(b) Notice of Special Meetings.

(i) Manner of Giving. Notice of the time and place of special meetings of the Board shall be given to each Director by one of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; (C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; or (D) by electronic mail. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Article VIII, section 8.7.

(ii) Time Requirements. Notices sent by first-class mail shall be deposited in a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.

(iii) Notice Contents. The notice shall state the time, place, and purpose of the meeting.

[8.5] Attendance by Members.

(a) Meetings Generally Open to Members. With the exception of executive sessions of the Board (see subparagraph (b), below) and any meetings conducted by conference telephone, all meetings of the Board shall be open to Members of the Association, provided, however, that non-director Members may participate in deliberations or discussions of the Board only when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established.

The agenda for Board meetings shall include a specific time for Member questions and comments. The chair shall be authorized to impose reasonable time limitations on Member comments.

(b) Executive Sessions. The Board, on the affirmative vote of a majority of the Directors

present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a member, upon the member's request, regarding the member's payment of assessments, as specified in Section 1367 or 1367.1 of the Civil Code, as amended or their successor statutes. The Board of Directors of the Association shall meet in executive session, if requested by a member who may be subject to a fine, penalty, or other form of discipline, and the member shall be entitled to attend the executive session.

Before adjourning into executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above.

Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership.

[8.6] Quorum Requirements. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Article VIII, section 8.8. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (a) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these By-Laws, by the Articles of Incorporation, or by law.

[8.7] Waiver of Notice. Any action taken at any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any Director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

[8.8] Adjournment. A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

[8.9] Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same

force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board.

If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

[8.10] Compensation. Directors, Officers, and Members of Committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX

Duties and Powers of the Board

[9.1] Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Article VII, section 7.1, the Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all Officers of the Association, the General Manager of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation, and these By-Laws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) Adopt and establish Rules and Regulations subject to the provisions of the Declaration, governing the use of the Common Areas, Common Facilities and roads within the Properties, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such Rules and Regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Areas or Common Facilities; provided notice and a hearing are provided as more particularly set forth in Article X, section 10.5 of the Declaration. Rules and Regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and Tenants.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the lots within the Properties and the Common Areas, Common Facilities, and the roads within the Properties.

(f) Contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the Association.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Common Areas and other portions of the Properties which the Association is obligated to maintain.

(h) Pay all taxes, special assessments and other assessments, and charges that are or would become a lien on any portion of the Common Areas.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Properties that have been damaged or destroyed and that are to be rebuilt by the Association.

(j) Delegate its duties and powers hereunder to the Officers of the Association or to committees established by the Board, subject to the limitations expressed in Article X, section 10.1.

(k) Levy and collect Assessments from the Members of the Association in accordance with the Declaration and establish and collect reasonable use charges for any or all of the recreational Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

(l) Perform all acts required of the Board under the Declaration.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Article XII, section 12.5.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board and prescribe rules under which said nominating committee is to act, as described in Article VII, section 7.4.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with Article X, including members of the architectural committee.

(p) Fill vacancies on the Board of Directors or in any committee, except a vacancy created by the removal of a Board Member.

(q) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(r) Bring and defend actions on behalf of more than one Member or the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, including the quiet enjoyment of any Owner or tenant, and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in Article X, section 10.5 of the Declaration.

(s) Enter lots as necessary, subject to the notice requirements of Article II, section 2.4 of the Declaration, in connection with construction, maintenance, or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common.

[9.2] Limitations on Powers. Without the vote or written assent of a majority of the voting power of the Members, the Board of Directors shall not take any of the following actions:

(a) 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 year. This restriction shall not apply to (i) FHA or VA approved management contracts; (ii) public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may 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 years' duration, provided that the policies provide for short-rate cancellation by the insured; (iv) lease agreements for laundry room fixtures and equipment not to exceed five years' duration; (v) agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five years duration; or (vi) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five years' duration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year, provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established or an emergency situation.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that year provided, however, that this limitation shall not apply to the sale or other disposition of improved or unimproved lots acquired by the Association in foreclosure proceedings.

(d) Pay compensation to members of the Board of Directors or officers of the Association, provided that Directors, and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

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

(f) Any action to impose a special assessment or to increase the regular assessment under circumstances requiring Member approval under Article IV of the Declaration.

(g) Any action to amend these By-Laws the Articles of Incorporation or the Declaration, except for any amendments permitted by Board action alone pursuant to Article XIII, section 13.4.

ARTICLE X

Committees

[10.1] Committees of Directors. In addition to the nominating committee appointed and constituted pursuant to Article VII, 7.4(a) of these By-Laws and the Architectural

