

SECOND RESTATED BYLAWS
OF
CAPITOLA KNOLLS HOMEOWNERS ASSOCIATION

1. The Restated and Consolidated By-Laws of Capitola Knolls Homeowners Association were recorded on August 31, 1999 as Instrument No. 1999-0058363, Official Records of Santa Cruz County, California; and

2. Members representing at least fifty-one percent (51%) of the total of all condominiums in the project have approved these Second Restated By-Laws in accordance with the provisions of Article VII of said Restated and Consolidated By-Laws of Capitola Knolls Homeowners Association; and

3. On the date of the recordation of these Second Restated Bylaws the provisions hereof shall run with the Properties and shall be binding on all parties having or acquiring any right, title or interest in the Properties, or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I

Recitals and Definitions

Section 1.01. Name of Corporation. The name of this corporation shall be Capitola Knolls Homeowners Association and shall be referred to herein as the "Association".

Section 1.02. Corporation is Non-Profit. This corporation has been formed pursuant to the California Non-Profit Corporation Law as a mutual benefit corporation.

Section 1.03. Specific Purpose. The specific and primary purpose of this Association shall be to manage the Common Area within that certain common interest development located in the County of Santa Cruz, State of California and commonly referred to as Capitola Knolls, to repair and maintain the Common Area to

the extent and in the manner more particularly described in the Covenants, Conditions and Restrictions, to enforce the Association Rules adopted by the Board of Directors, as amended from time to time, and the terms and conditions of the Covenants, Conditions and Restrictions, and to otherwise enhance and promote the use and enjoyment of the Common Area and Association property by the Owners in common.

Section 1.04. Definitions.

(a) "Covenants, Conditions and Restrictions" or "CC&R's" shall mean all limitations, restrictions, covenants, terms and conditions set forth in the Restated Declaration of Covenants, Conditions and Restrictions recorded concurrently herewith in the Office of the Recorder of the County of Santa Cruz with respect to the Properties located in Tract No. 604 Capitola Knolls as shown on the Map thereof filed in the Office of the County Recorder of the County of Santa Cruz, California, on April 4, 1973, in Map Book 58 of Maps, Page 12 *et seq.*, Official Records of Santa Cruz County, California and as shown upon that certain Parcel Map filed in Book 18 of Parcel Maps, at Page 56, 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.

(b) "County" shall mean the County of Santa Cruz, State of California.

(c) "Director" shall mean a Member of the Board of Directors of the Association.

(d) "Office of Recorder" shall mean the Office of the Recorder, County of Santa Cruz, State of California.

(e) "Person" shall mean and include any individual, corporation, partnership, association, limited liability company or other entity recognized by the laws of the State of California.

(f) "Properties" shall have the meaning set forth in Article I, Section 1.36, in the Covenants, Conditions and Restrictions.

(g) "Voting Power" shall mean the total membership of the Association eligible to vote, that is, all members, except those suspended for default in payment of assessments or otherwise.

(h) "Unit" shall have the meaning set forth in Article II, Section 2.02(a), in the Covenants, Conditions and Restrictions.

(i) Other Definitions Incorporated by Reference. The terms defined in the Covenants, Conditions and Restrictions shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE II

Principal Office

Section 2.01. Location of Principal Office. The principal office of the Association shall be located at such place within the County as the Board may, from time to time, designate by resolution.

ARTICLE III

Membership

Section 3.01. Members of the Association. Every Owner of a Unit within the Properties shall be a Member of the Association. Membership in the Association shall be appurtenant to, and may not be separate from, ownership of any Unit. Membership rights are subject to temporary suspension in the event that a Member is in default in the payment of assessments or is otherwise in violation of these Bylaws, the Covenants, Conditions and Restrictions or the Association Rules, provided that disciplinary action resulting in such suspension is taken in accordance with Article XV, Section 15.06 of the Covenants, Conditions and Restrictions.

Section 3.02. Term of Membership. Each Owner who is a Member shall remain a Member until the Owner no longer qualifies as such under Section 3.01 above.

Section 3.03. Multiple Ownership of Units. If more than one person owns a Unit, all of said persons shall be deemed to be one Member. In the case of multiple ownership, unless the Secretary of the Association is given written notice to the contrary, and is given a copy of the instrument or court order allocating voting rights differently, only one (1) of such multiple Owners shall be entitled to vote the membership. The Secretary of the Association or the Association manager 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. In the absence of such designation, the person voting shall be deemed the designated co-Owner for such

vote. If more than one multiple Owner attempts to vote a membership, the Secretary may refuse to count any ballot pertaining to said Unit.

Section 3.04. 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 the person is qualified to be a Member under Section 3.01 above, and has provided the Secretary with evidence of such qualification in the form of a copy of a recorded grant deed, a currently effective policy of title insurance, or other satisfactory evidence, or in the absence of such evidence the Secretary may rely on the Association's then current membership list or the records of the County Assessor. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written ballot set forth herein. Authentication of signatures shall occur as provided in Section 5.11 of these Bylaws.

ARTICLE IV

Membership Voting

Section 4.01. Single Class of Membership. The Association shall have but one class of voting membership.

Section 4.02. 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 Bylaws or otherwise, each Member shall be entitled to cast one vote for each Unit owned by such Member. Single memberships in which two (2) or more persons have an indivisible interest shall be voted as provided in Article III, Section 3.03 of these Bylaws. 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 of Covenants, Conditions and Restrictions. A Member who owns more than one Unit shall be ineligible to vote if that Member is delinquent with respect to any of such Units.

Section 4.03. Eligibility to Vote. The persons entitled to vote at any meeting of Members shall be those persons who are Members as of the record date determined in accordance with Section 5.08 of Article V hereof, subject to the provisions of California's Non-Profit Corporation Law. A Member must be in good standing, with all assessments current, and not be subject to any suspension of membership rights, in order to be eligible to vote.

Section 4.04. Manner of Casting Votes. Voting may be by voice or by ballot, provided that any election of Directors shall be conducted by ballot. Members otherwise eligible to vote may do so in person or by proxy in accordance with Section 4.05 of this Article IV.

Section 4.05. Proxies.

(a) 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 or the Association's management representative before the appointed time of each meeting. Any proxy shall be for a term not to exceed eleven (11) months from the date thereof, unless otherwise provided in the proxy; provided that the maximum term of any proxy shall be three (3) years from the date of execution and, provided further, that any proxy pertaining to the nomination or election of Directors shall have a maximum term not to exceed one year. Any form of proxy distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy also shall identify the person or persons authorized to exercise the proxy and the length of time it will be valid. In addition, voting by proxy shall comply with any other applicable requirements of California Corporations Code Section 7514 and 7613.

(b) Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (1) delivery to the Secretary of a written notice of revocation; (2) a subsequent proxy executed by the Member executing the prior proxy and presented prior to the meeting or (3), as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution. 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 Condominium as provided in Article III, Section 3.01 above.

(c) Any proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy sets forth the general nature of the matter to be voted on. The matters subject to this requirement are:

- (1) Removal of Directors.
- (2) Filling of vacancies on the Board.

- (3) 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.
- (4) Action to amend the Articles of Incorporation, these Bylaws or the Covenants, Conditions and Restrictions.
- (5) 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.
- (6) Approval of any merger of the Association or adoption and approval of an amendment of an agreement of merger.
- (7) Election by the Association to voluntarily wind up and dissolve.
- (8) Action to change any Association assessments in a manner requiring membership approval under the Covenants, Conditions and Restrictions.

(d) In any election of Directors any form of proxy in which the Directors to be voted upon are named therein as candidates, and which 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, shall not be voted 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) Where two or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by any of such persons, but only one proxy may be cast for each Member. Any such person may attend meetings, but such attendance shall revoke the proxy as set forth in subsection (b) above.

Section 4.06. Action by Written Ballot Without a Meeting.

(a) Any matter or issue requiring the vote of the Members, other than the election of Directors, may be submitted for vote by written ballot without a meeting of the Members, provided the requirements for action by written ballot set forth in this

Section 4.06 and the provisions of California Corporations Code Section 7513 and 7516 are met. The determination to seek Member approval for corporate action in this fashion shall be made by a majority of the Board or by Members having ten percent (10%) of the total votes of the membership signing a written request and delivering this request to the Secretary. In the event that any matter or issue is to be voted upon by written ballot, at least fifteen (15) days prior to the date the written ballots are to be received to be counted, the Board shall distribute the written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action and provide an opportunity to specify a choice between approval or disapproval of each matter or a group of matters to be acted upon. The written ballot shall provide a reasonable time within which to return the written ballot to the Association and shall state on its face or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The time fixed for the return of ballots may only be increased if the Board has notified the Members in writing in the initial ballot of its right to do so and elects to do so in writing prior to expiration of the balloting period and then for no more than sixty (60) days from the initial return date of the ballots.

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

(c) Written ballots shall be solicited in a manner consistent with the requirements of Article V, Section 5.04(c) pertaining to the giving of notice of Members' meetings. All solicitations of written ballots shall indicate the number of responses needed to meet the quorum requirement for valid action and shall state the percentage of approvals necessary to pass the measure submitted. If deemed necessary by the Board, the ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this Section, as may be prescribed by a firm of certified public accountants of good repute who may also be retained to supervise the secrecy and control of the vote.

(d) Upon tabulation of the ballots, the Board shall notify the Members of the outcome of the balloting process. If insufficient votes to constitute a quorum are cast, the Board shall so notify the Members. Once exercised, a written ballot may not be revoked.

Section 4.07. Only Majority Vote of Members Represented at Meeting Required, Unless Otherwise Specified. If a quorum as defined in Article V, Section 5.05, of these Bylaws is present, the affirmative vote of the majority of the 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 California's Non-Profit Corporation Law, by the Articles of Incorporation, by the Bylaws or by the Covenants, Conditions and Restrictions of the Association.

ARTICLE V

Membership Meetings

Section 5.01. Place of Meeting. The meetings of the Members shall be 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 specified herein or designated by notice of the Board of the meeting.

Section 5.02. Annual Meeting. There shall be an annual meeting of the Members on the third Saturday in May of each year at the hour of 10:00 a.m., or at such other date as the Board may determine within thirty (30) days preceding or following such date.

Section 5.03. Special Meetings.

(a) **Who May Call.** A majority of the Board, the President or Members representing five percent (5%) or more of the total Voting Power of the Association may call special meetings of the Members at any time to consider any reasonable business of the Association.

(b) **Calling Special Meetings by Members.** If a special meeting is called by Members other than the President or a majority of the Board, 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 registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 5.04 of this Article V, that a meeting will be held, and the date and time for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request. If the notice is

not given within twenty (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.

Section 5.04. Notice of Members' Meetings.

(a) All notices of meetings of Members (whether annual or special) shall be sent or otherwise given in writing to each Member who, on the record date for notice of the meeting (Article V, Section 5.08) is entitled to vote thereat, in accordance with subparagraph (c) of this Section 5.04, not less than ten (10) nor more than ninety (90) days before the date of the meeting, stating (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or (ii) in the case of a regular meeting, those matters which 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. 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 twenty (20) nor more than ninety (90) days before the meeting.

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

- (1) Removing a Director without cause.
- (2) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Article VII, Section 7.05 of these Bylaws.
- (3) Amending the Articles of Incorporation, these Bylaws or the Covenants, Conditions and Restrictions in any manner requiring approval of the Members.
- (4) 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.

- (5) Approving a plan of distribution of assets, other than cash, in liquidation.
- (6) Approving any change in the Association's assessments in a manner requiring membership approval under the Covenants, Conditions and Restrictions.
- (7) Voting upon any election to voluntarily wind up and dissolve the corporation.

(c) Notice of any meeting of Members shall be given either personally or by first-class mail, or other means of 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 (1) notice is sent to that Member by first class mail or telegraphic or other written communication to the Association's principal office, or (2) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at that time when delivered personally or seventy-two (72) hours following deposit in the mail. In the event that the Association regularly sends its Members a newsletter or magazine, the requirement of written notice hereunder may be satisfied by setting forth the required information in said newsletter or magazine so long as it is addressed and mailed or delivered to the Member at the Member's address as shown on the books of the Association.

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

Section 5.05. Quorum Requirements.

(a) A majority of the Voting Power of Members, represented in person or by proxy, shall constitute a quorum for the transaction of business at a meeting of the Members. Provided, however, that if that quorum is not present or represented at any meeting, a majority of the Members entitled to vote at the meeting may, unless

otherwise provided by law, adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days from the meeting date, at which meeting the quorum requirement shall be twenty-five percent (25%) of the total voting power. Notwithstanding anything herein to the contrary, a quorum, for purposes of obtaining membership approval of special assessments or increases in regular assessments as may be required by Article VI, Sections 6.02(a) and 6.03(c) of the Covenants, Conditions and Restrictions means more than fifty percent (50%) of the Owners.

(b) The Members present 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, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum.

Section 5.06. Adjourned Meeting. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of Members represented at the meeting, either in person or by proxy. Unless there is an absence of a quorum (in which case no other business may be transacted at that meeting except as provided in Section 5.05(b), the adjourned meeting may take any action which might have been transacted at the original meeting. When a Members' meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. No meeting may be adjourned for less than five (5) nor more than forty-five (45) days. If after adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) The transactions of any meeting of Members, either annual or special, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of Members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 5.04(b) of this Article V, the waiver of notice or consent shall state the general nature

of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(b) Attendance by a person at a meeting also shall constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein pursuant to Section 5.04(b) of this Article V, if that objection is expressly made at the meeting.

Section 5.08. Record Dates for Member Notice, Voting and Giving Consents.

(a) 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 corporation after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Non-Profit Corporation Law. The record dates established by the Board pursuant to this Section shall be:

- (1) In the case of determining those Members entitled to notice of a meeting, not more than ninety (90) nor less than ten (10) days before the date of the meeting.
- (2) In the case of determining those Members entitled to vote at a meeting, not more than sixty (60) days before the date of the meeting.
- (3) In the case of determining Members entitled to cast written ballots, not more than sixty (60) days before the day on which the first written ballot is mailed or solicited.
- (4) In the case of determining Members entitled to exercise any rights in respect to other lawful action, not more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date.

- (1) Record Date for Notice of Meetings. Unless fixed by the Board, 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.
- (2) Record Date for Voting. Unless fixed by the Board, 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.
- (3) Record Date for Action by Written Ballot Without Meeting. Unless fixed by the Board, the record date for determining those Members entitled to vote by written ballot on proposed corporate 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.
- (4) Record Date for Other Lawful Action. Unless fixed by the Board, the record date for determining those Members entitled to exercise any rights in respect to any lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.
- (5) "Record Date" Means as of Close of Business. For purposes of this paragraph (b) a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

Section 5.09. Open Forums. In addition to the annual and special meetings discussed in Sections 5.02 and 5.03 of this Article V, the Secretary of the Association shall be entitled to call informal meetings of the membership, to be known as Open Forums, for the purpose of discussing problems common to Members residing in a particular area within the Properties or problems common to all Members. Open Forums shall be called on written notice delivered to all Members at least five (5) days before the date of the meeting. The notice shall set

forth the date, time and place of the Open Forum and the general nature of each item to be discussed. Although the Members attending the Open Forum may discuss any issue that has been noticed, no formal action may be taken at the meeting, such action being reserved to membership meetings satisfying the requirements of Sections 5.01 through 5.08 of this Article V.

Section 5.10. Meeting Procedure. Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. The Board shall permit any Member of the Association to speak at any meeting of the Association. A reasonable time limit for all Members of the Association to speak before a meeting of the Association shall be established by the Board.

Section 5.11. Authentication of Signatures.

(a) If the name signed on a ballot, consent, waiver, or proxy appointment corresponds to the record name of a member, the Association, if acting in good faith, is entitled to accept the ballot, consent, waiver or proxy appointment and give it effect as the act of the member.

(b) If the name signed on a ballot, consent, waiver, or proxy appointment does not correspond to the record name of a member, the Association if acting in good faith is nevertheless entitled to accept the ballot, consent, waiver, or proxy appointment and give it effect as the act of the member if any of the following occur:

(1) The member is an entity and the name signed purports to be that of an officer or agent of the entity.

(2) The name signed purports to be that of an attorney-in-fact of the member and if the Association requests, evidence acceptable to the Association of the signatory's authority to sign for the member has been presented with respect to the ballot, consent, waiver, or proxy appointment.

(3) Two or more persons hold the membership as cotenants or fiduciaries and the name signed purports to be the name of at least one of the coholders and the person signing appears to be acting on behalf of all the coholders.

(4) The name signed purports to be that of an administrator, executor, guardian, or conservator representing the member and, if the Association requests, evidence of fiduciary status acceptable to the Association has been presented with respect to the ballot, consent, waiver, or proxy appointment.

(5) The name signed purports to be that of a receiver or trustee in bankruptcy of the member, and, if the Association requests, evidence of this status acceptable to the Association has been presented with respect to the ballot, consent, waiver, or proxy appointment.

(c) The Association is entitled to reject a ballot, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has a reasonable basis for doubt concerning the validity of the signature or the signatory's authority to sign for the member.

(d) The Association and any officer or agent thereof who accepts or rejects a ballot, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this Section 5.11 shall not be liable in damages to the member of the consequences of the acceptance or rejection.

(e) Association action based on the acceptance or rejection of a ballot, consent, waiver, or proxy appointment under this Section 5.11 is valid unless a court of competent jurisdiction determines otherwise.

ARTICLE VI

Membership Rights

Subject to the provisions hereof and the provisions of the Covenants, Conditions and Restrictions, the Members shall have the following rights:

Section 6.01. Use and Enjoyment of the Common Area. Each Member shall be entitled to the use and enjoyment of the Common Area and Common Facilities within the Properties, except as the Common Area is restricted as more particularly set forth in the Covenants, Conditions and Restrictions.

Section 6.02. Use of the Common Area by Household Members. Each Member shall have the right to designate members of the Owner's household who reside within the Member's Unit with the Member who may use and enjoy the Common Area and Common Facilities within the Properties.

Section 6.03. Tenants. Subject to the Covenants, Conditions and Restrictions, including but not limited to Article IV, Section 4.02, and Article X,

Section 10.01, each Member shall have the right to assign the Member's rights as a Member (other than voting rights) to a tenant residing within said Member's Unit. Such assignment shall only be effective so long as said tenant is so residing in said Member's Condominium and is in compliance with the Covenants, Conditions and Restrictions and the Association Rules, as the same may exist from time to time. At all times the Owner shall remain responsible for compliance by Owner's tenant with the provisions of these Bylaws, the Covenants, Conditions and Restrictions and the Association Rules. The assignment of an Owner's right to use Common Area recreational facilities to a tenant shall not be effective until such time as the Owner-Member has given the Secretary or managing agent written notice thereof setting forth the name of the assignee and the members of the tenant's household who will be entitled to the use and enjoyment of the Common Facilities by virtue of said assignment. During the period of any lease or rental of a Unit, neither the Member nor the Member's guests shall be entitled to use the Common Facilities except to the extent reasonably necessary to perform the usual responsibilities of a landlord or to insure or gain compliance by the tenant with the requirements of these Bylaws and the Covenants, Conditions and Restrictions.

Section 6.04. Guests. The guests of a Member or assignee of the Member under Section 6.03 above shall have the right to use and enjoy the Common Area, recreation facilities and roads within the Properties, subject to the terms of the Covenants, Conditions and Restrictions, and further subject to the Association Rules, provided that such guests are accompanied by the Member or the assignee while using the Common Facilities.

Section 6.05. Compliance with Association Governing Documents and Association Rules. The right of use and enjoyment hereunder, shall at all times be subject to the rules, limitations and restrictions set forth herein and the Association Rules, as the same are in existence from time to time. The Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Facilities, with the exception of the right of use of any roads or driveways, for the failure of a Member to pay any assessments when due under the Covenants, Conditions and Restrictions, or to comply with any other rule or regulation imposed upon such Member, the Member's tenants or guests, pursuant to the Articles of Incorporation, these Bylaws or the Covenants, Conditions and Restrictions; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in the Covenants, Conditions and Restrictions.

ARTICLE VII

Board of Directors

Section 7.01. General Corporate Powers. Subject to the provisions of the California Non-Profit Corporation Law, the Covenants, Conditions and Restrictions, and any limitations in the Articles and these Bylaws relating to action requiring approval by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors consisting of five (5) persons who shall be Members, provided, however, that no two persons owning the same Unit may serve as Director at the same time. Subject to the limitations expressed in Article X, Section 10.01, 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 exercised under the ultimate direction of the Board.

Section 7.02. Term of Office. Each Director elected at the annual meeting shall hold office for a term of three (3) years and until a successor Director has been elected and qualified. A Member elected or appointed to fill an unexpired Board vacancy shall serve for the unexpired term of the Member's predecessor. The terms of the Directors are staggered so that in each year either one or two Directors shall be elected.

Section 7.03. Nominations of Directors.

(a) **Candidates Selected by Nomination Committee.** At least sixty (60) 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 are then expiring. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association who may or may not be Board members. Committee members shall serve from the close of such annual meeting until their successors are appointed and such appointment shall be announced at each annual meeting. The Nominating Committee shall make its report at least thirty (30) 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 5.04, a list of candidates nominated. 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. Members in good standing may be nominated as candidates for election to the Board.

(b) Nominations From the Floor. Any Member present at the meeting, in person or by proxy, may place the names of additional candidates in nomination.

(c) Candidate Communications. The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communicate their qualifications and reasons for candidacy to the Members and to solicit votes, and for a reasonable opportunity for all Members to choose among the nominees.

(d) Petition Procedure. A Member can become a candidate for election to the Board by filing with the Secretary a petition in support of his or her candidacy signed by at least two percent (2%) of the Voting Power of the Association who are, themselves, in good standing with all Assessments paid. 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 thirty (30) calendar days and no earlier than fifty (50) calendar days prior to the annual election.

(e) Good Standing Requirement for Candidacy. In order to be eligible for nomination, election and service on the Board, the Association Secretary must certify that the candidate-Member is in good standing with the Association and is current in the payment of his or her assessments.

Section 7.04. Election of Directors.

(a) At each annual meeting of the Members, the Members shall elect persons to those positions on the Board of Directors held by Directors whose terms are then expiring. The persons thus elected shall be selected from among those persons nominated pursuant to Section 7.03 above; however, if for any reason an annual meeting is not held or the Directors are not elected at any annual meeting, the Directors may be elected at any special meeting held for that purpose. The Directors thus elected shall take office immediately upon the close of the meeting of the Members at which the Directors are elected.

(b) Cumulative voting for the election of Directors is prohibited. Voting for Directors shall be by secret written ballot, and the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

(c) Prior to the election, the Board shall appoint one or three eligible Members who are not nominees, to act as official inspector(s) of the election. The Board may also appoint other Members to assist the inspector(s). The inspector(s) shall discharge his/their duties impartially, in good faith, to the best of his/their ability, and as expeditiously as possible. If three inspectors are appointed, all decisions,

acts and the certification of any election must be made by at least a majority of the official inspectors. Before the election, the inspector(s) shall determine the number of memberships outstanding and the eligible Voting Power of each as of the Record Date established in accordance with Article V, Section 5.08 hereof.

At the election, the inspector(s) shall: (1) determine the existence of a quorum at the meeting by counting the number of eligible voters present, in person and by proxy; (2) hear and determine all challenges and questions in any way arising in connection with the right to vote or the conduct of the election; (3) establish the authenticity, validity and effect of the proxies and collect the proxy votes and the ballots; (4) decide when the polls are closed; (5) count and tabulate all votes; and (6) determine the result of the election. Any report or certificate made by the inspector(s) shall be prima facie evidence of the facts recited therein.

Section 7.05. Vacancies on Board of Directors.

(a) A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (1) the death or resignation of any Director or the removal of a Director pursuant to subparagraph (d) hereof; (2) 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) Except as provided in this paragraph, any Director may resign, which 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 appoint a successor to take office when the resignation becomes effective.

(c) Vacancies on the Board shall be filled by a majority vote of the remaining Directors, though less than a quorum, or by a sole remaining Director. The successor Director shall serve for the unexpired term of his or her predecessor. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors, but any such election or written ballot shall require the approval of a majority of the Voting Power. A vacancy created by the removal of a Director can be filled only by election of the Members.

(d) The Board of Directors shall have the power and authority to remove a Director and declare such office vacant if the Director has: (1) been declared of unsound mind by a final order of court; (2) been convicted of a felony; (3) been found

by a final order or judgment of any court to have breached any duty under Sections 5230-5236 of the California Non-Profit Corporation Law (relating to the standards of conduct of Directors); (4) if the Director fails to attend three (3) consecutive regular meetings of the Board which have been duly noticed in accordance with California law; or (5) if the Director becomes more than ninety (90) days delinquent in the payment of assessments. Except as otherwise provided in the immediately preceding sentence and in subparagraph (e) hereof, a Director may only be removed from office prior to expiration of the Director's term by the affirmative vote of a majority of the votes represented and voting at a duly held meeting of the Members at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or by written ballot in conformity with Article IV, Section 4.06 hereof.

(e) 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 Meeting

Section 8.01. Place of Meetings. Regular 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. In the absence of such designation, regular meetings shall be held on the Properties. Special meetings of the Board shall be held at any place within the County that has been designated in the notice of the meeting or, if not stated in the notice, at the principal office of the Association. Notwithstanding the above provisions of this Section 8.01, 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.

Section 8.02. Meetings of Directors. Within thirty (30) days following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Reasonable notice of this meeting shall be given to the Members.

Section 8.03. Notice of Regular Meetings. Notices of regular and special meetings of the Board of Directors shall be given upon four (4) days' notice by first-

class mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. Notice of the date, time and location of all regular and special Board meetings also shall be given to the Members at least four (4) days prior to the meeting by posting the notice in a prominent place or places within the Common Area, by mail, or delivery of the notice to each Townhouse, or by newsletter or similar means of communication, except for an emergency meeting. Regular meetings shall be conducted at least quarterly. An emergency meeting of the Board of Directors may be called by the President, or by any two (2) members of the Board of Directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which, of necessity, make it impracticable to provide notice as required by this Section.

Section 8.04. Special Meetings of the Board.

(a) Special meetings of the Board of Directors for any purpose may be called at any time by the President, the Vice-President, the Secretary, or any two Directors.

(b) Notice of Special Meetings.

(1) 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:

(i) By personal delivery of written notice.

(ii) By first-class mail, postage prepaid.

(iii) By telephone communication, including a voice message system or other system or technology designed to record and communicate messages.

(iv) By telegraph, facsimile, electronic mail, or other electronic means.

All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association.

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, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at commencement of the meeting, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes.

Reasonable advance notice of any special meeting of the Board also shall be given to the Members of the Association. Notice of the date, time and location of special Board meetings also shall be given to the Members at least four (4) days prior to the meeting by posting the notice in a prominent place or places within the Common Area, by mail, or delivery of the notice to each Townhouse, or by newsletter or similar means of communication. Notices of emergency meetings of the Board need not be given to the Members.

- (2) Time Requirements. Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) 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 forty-eight (48) hours before the time set for the meeting.
- (3) Notice Contents. The notice shall state the date, time and place for the meeting. However, it need not specify the purpose of meeting, or the place of the meeting, if it is to be held at the principal office of the Association.

Section 8.05. Attendance by Members and Association Manager.

(a) With the exception of executive sessions of the Board (see subparagraph (b), below) and emergency meetings of the Board as defined in Civil Code Section 1363.05(h), all meetings of the Board shall be open to Members of the Association provided that non-Director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of a quorum of the Board. However, the Board shall permit any Member of the Association to speak at any meeting of the Board, except for meetings of the Board held in executive session. A reasonable time limit for all Members of the Association to speak to the Board shall be established by the Board. If the Association has retained the services of a manager, such person may, at the Board's

discretion, attend regular and special meetings. As used in this Section, “meeting” includes any congregation of a majority of the Members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) The Board may adjourn a meeting and reconvene in executive session to discuss and vote upon litigation, matters that relate to the formation of contracts with third parties, Member discipline, or personnel matters. The nature of any and all business to be discussed in executive session shall first be announced in open session. The Board of Directors 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. 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 matters discussed in executive session shall be generally noted in the minutes of the Board of Directors.

Section 8.06. Meeting Format. Members of the Board may participate in a meeting through use of conference telephone, electronic video screen communications, or other communications equipment. Participation in a meeting through use of conference telephone pursuant to this Section constitutes presence in person at that meeting as long as all Members participating in the meeting are able to hear one another. Participation in a meeting through use of electronic video screen communication or other communications equipment (other than conference telephone) pursuant to this Section constitutes presence in person at that meeting if all of the following apply:

(a) Each Member participating in the meeting can communicate with all of the other Members concurrently.

(b) Each Member is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

(c) The corporation adopts and implements some means of verifying both of the following:

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

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

(d) The rights of Members to attend and participate in the meeting as provided in Section 8.05 of these Bylaws are preserved.

Section 8.07. 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 Section 8.09 of this Article VIII. Every act done or decision 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 Non-Profit Corporation law, especially those provisions relating to (1) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (2) appointment of committees, and (3) 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.

Section 8.08. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present, 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 corporate 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 also shall be deemed to have been waived by any Director who attends the meeting without protesting before or at its commencement about the lack of notice.

Section 8.09. 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 twenty-four (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 hereinabove provided, notice of adjournment need not be given.

Section 8.10. Compensation. Unless approved by vote or written assent of a majority of the Members, 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.

Section 8.11. Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution. Members of the Association shall be notified in writing at the time that the pro forma budget required in California Civil Code Section 1365 is distributed, or at the time of any general mailing to the entire membership of the Association, of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

ARTICLE IX

Duties and Powers of the Board

Section 9.01. Standard of Care. Each Director shall perform his or her duties as a Director, including the duties as a member of any committee of the Board on which the Director serves, in good faith, in a manner such Director believes to be in the best interests of the Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 9.02. Specific Powers and Duties. Without prejudice to the general powers of the Board of Directors set forth in Article VII, Section 7.01, the Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Articles of Incorporation, these Bylaws, the Covenants, Conditions and Restrictions, 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, the Covenants, Conditions and Restrictions and these Bylaws.

(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) Subject to the provisions of the Covenants, Conditions and Restrictions, to adopt, establish and distribute upon adoption, rules and regulations governing the use of the Common Area, the Common Facilities, and the personal conduct of the Members, their tenants, and their guests thereon, and to take such steps as it deems necessary for the enforcement of the Association Rules, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Facilities; provided notice and a hearing are provided as more particularly set forth in the Covenants, Conditions and Restrictions. Association Rules adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) Enforce all applicable provisions of the Covenants, Conditions and Restrictions, these Bylaws and all other regulations relating to the control, management, and use of the Units within the Properties and the Common Area and Common Facilities; provided that at least fifteen (15) days' prior notice of any charges (other than assessments) or potential discipline or fine and the reasons therefore are given to the Member affected, and that an opportunity be provided for the Member to be heard, orally or in writing, not less than five (5) days before the imposition of the discipline or fine, said hearing to be before the Board. Any notice required herein shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be given by first class or registered mail sent to the last address of the Member as shown on the Association's records.

(f) Contract and pay premiums for fire, casualty, liability and other insurance and bonds (including fidelity bonds) which may be required from time to time in relation to the Properties.

(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 Properties.

(h) Pay all taxes, special assessments and other assessments and charges which are or would become a lien on any portion of the Properties, and complete and file all tax-related reports and returns.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Properties which have been damaged or destroyed and which are to be rebuilt as provided in the Declaration of Covenants, Conditions and Restrictions.

(j) If and when the Board deems it appropriate and subject to the limitations expressed in Article X, Section 10.01 hereof, to delegate its duties and power hereunder to the officers of the Association or to committees established by the Board or a property manager or property management company retained by the Board.

(k) Establish and levy assessments on the Members of the Association and to collect the same, in accordance with the Covenants, Conditions and Restrictions, and to establish and collect reasonable use charges for any or all of the 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 Covenants, Conditions and Restrictions.

(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 12.09 hereof. The Board shall appoint a Budget and Finance Committee as provided in Section 10.02(c) of the Bylaws to assist in the preparation of the annual budget.

(n) Appoint a Nominating Committee for the nomination of persons to be elected to the Board, and to prescribe rules under which said Nominating Committee is to act, all as more particularly described in Section 7.03 of Article VII hereof.

(o) Appoint or serve as an Architectural Committee and to prescribe rules under which said committee is to act in order to discharge its responsibilities under the Covenants, Conditions and Restrictions.

(p) 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 hereof, and to prescribe the duties, powers and rules of such committees.

(q) Fill vacancies on the Board of Directors or in any committee.

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

(s) Bring and defend actions by or against one or more Members of the Association to protect the interests of the Members or the Association, as such, so long as the action is pertinent to the operation of the Association, and to assess the Members for the cost of such litigation.

(t) Subject to the Covenants, Conditions and Restrictions, to enter Units as necessary in connection with construction, maintenance or emergency repairs for the benefit of the Common Area or the Owners in common.

(u) Maintain and otherwise manage: (1) all easements and real property and all facilities, improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association, (2) all personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association, and (3) all property, real or personal, which the Association is obligated to repair or maintain pursuant to the Declaration of Covenants, Conditions and Restrictions.

(v) Provide an Owner within ten (10) days of the delivery of written request, with (1) a copy of the Association's governing instruments; (2) a copy of the most recent financial statement distributed pursuant to Section 1365; (3) a true written statement from an authorized representative of the Association as to the amount of the Association's current regular and special assessments and fees, as well as any assessments levied upon the Owner's Condominium which are unpaid on the date of the statement. The statement also shall include true information on late charges, interest and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Condominium pursuant to California Civil Code Section 1367; (4) any change in the Association's current Regular and Special Assessments and fees which have been approved by the Board of Directors, but have not become due and payable as of the date disclosure is provided pursuant to this subsection. The Association may charge a fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested information.

(w) Subject to the Covenants, Conditions and Restrictions, grant permits, licenses and easements on, over, and under the Common Area for utilities, roads and other purposes not inconsistent with the intended use and occupancy of the covered property and reasonably necessary or useful for the proper maintenance or

operation of the Properties, provided that such permits, licenses and easements shall not unreasonably interfere with the right of any Owner to the use and enjoyment of the Owner's Condominium and the Common Area.

Section 9.03. Limitations on Powers. Without the vote or written assent of a majority 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 (1) year. This restriction shall not apply to: (1) FHA or VA approved management contracts; (2) 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 does not exceed the shortest term for which the supplier will contract at the regulated rate; (3) prepaid casualty or liability insurance policies not to exceed three (3) years duration; provided the policies provide for short rate cancellation by the insured; (4) lease agreements for laundry room fixtures and equipment not to exceed five (5) years duration; (5) agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five (5) years duration; or (6) agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five (5) years duration.

(b) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of ten percent (10%) of the budgeted gross expenses of the Association for that year. For purposes of this Section 9.03(b), capital improvements do not include reserve expenditures for those components described in Section 12.13 of these Bylaws, and means a new fixture or facility proposed for the Common Area.

(c) 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 year.

(d) Pay compensation to members of the Board of Directors for services performed in the conduct of the Association's business; provided that Directors can be reimbursed for reasonable travel and other expenses, verified in writing, incurred in the discharge of their duties.

(e) Borrow money on behalf of the Association in a sum in excess of ten percent (10%) of the budgeted gross receipts for the current fiscal year.

Section 9.04. Due Process Requirements. Before the Board imposes any monetary penalties (except late charges and interest for late payment of any assessment), or suspends membership rights or Common Area use privileges against any Member for failure to comply with the Declaration, these Bylaws, or Association Rules, the Board must act in good faith and must satisfy each of the following requirements:

(a) The Member is given fifteen (15) days prior notice of the discipline to be imposed and the reasons for the imposition of the discipline. The notice may be given by any method reasonably calculated to give actual notice. If the notice is given by mail, it must be sent by first-class or registered mail to the last address of the Member as shown on the Association's records.

(b) The Member is given an opportunity to be heard, orally or in writing, by the Board, not less than five (5) days before the effective date of the imposition of the discipline. The provisions of this Section 9.04 shall not apply to any monetary penalties, suspensions of membership rights or Common Area use privileges against any Member for failure to pay regular or special assessments in accordance with the provisions of Article VI of the Covenants, Conditions and Restrictions.

(c) The Board shall adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed. The Board of Directors shall distribute, in like manner, additional schedules of monetary penalties whenever changes to the schedule are adopted.

ARTICLE X

Committees

Section 10.01. Committees, Generally. The Board may, by resolution adopted by a majority of the Directors then in office, designate one or more committees, each consisting of two or more Directors, or other Members who are not Directors, to serve at the pleasure of the Board, which shall have such authority as the Board may specify, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter which, under the Non-Profit Corporation Law of California, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or in any committee which has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or the members of those committees.

(f) Approve any transaction (1) to which the corporation is a party and one or more Directors have a material financial interest; or (2) between the corporation and one or more of its Directors; or (3) between the corporation or any person in which one or more of its Directors have a material financial interest.

(g) Levy fines.

Section 10.02. Standing Committees. Standing committees may be established and maintained by the Board as the Board deems appropriate, including the following:

(a) Architectural Committee. The Board may appoint or serve as an Architectural Committee consisting of three or more Members, said committee to have the powers and responsibilities described in Article IX, Section 9.01, of the Covenants, Conditions and Restrictions.

(b) Nomination Committee. The Board may appoint a three person Nomination Committee in accordance with Article VII, Section 7.03 of these Bylaws, which committee shall have the powers and responsibilities described in said Section 7.03.

(c) Budget and Finance Committee. The Board may appoint three Members, one of whom shall be the Association's Treasurer, to a Budget and Finance Committee. The committee shall meet a minimum of two (2) times annually. The Committee shall assist the Treasurer in executing his or her responsibilities as described herein and shall be responsible for developing the Association's annual budget for presentation to the membership at the Annual Meeting. The committee shall also monitor and report to the Board on financial and tax developments of interest to the Association.

Section 10.03. Executive Committee. Subject to Section 10.01 of this Article X, the Board shall have the power to appoint an Executive Committee composed of two or more members of the Board to act on its behalf during intervals between regular Board meetings.

Section 10.04. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees also may be called by resolution of the Board of Directors. Notice of special meetings of committees also shall be given to any and all alternate Members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE XI

Officers

Section 11.01. Officers. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer all of whom shall be members of the Board. The Association may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.03 following.

Section 11.02. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 11.03 following, shall be chosen annually by majority vote of the Board at its first regular meeting, and each shall hold office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 11.03. Subordinate Officers. The Board may appoint, and may empower the President to appoint, 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 are provided in the Bylaws and as the Board may from time to time determine.

Section 11.04. Removal of Officers. Any officer may be removed from his or her position as an officer, either with or without cause, by the Board at any regular or special meeting.

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary. Any such resignation shall take effect at the date of the 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. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 11.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 11.07. President. The President shall be the chief executive officer of the Association, and subject to the control of the Board, shall have general supervision, direction and control of the affairs and officers of the Association. The President shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President also shall have the general power and duties of management usually vested in the office of president of a California non-profit mutual benefit corporation, together with such other power and duties as may be prescribed by the Board or the Bylaws.

Section 11.08. Vice President. In the event of absence, disability or refusal to act of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all 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 or the Bylaws.

Section 11.09. Secretary. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, the following:

(a) A book of minutes of all meetings of Directors and Members, with the time and place of holding same, whether regular or special, and if special, how

authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof and a record of the votes.

(b) Appropriate current records showing the Members of the Association, together with their addresses.

(c) A copy of the Articles, Bylaws and Covenants, Conditions & Restrictions as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and the Secretary shall keep any seal 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 by the Bylaws. The Secretary shall be responsible to verify the filing of the annual Statement of Officers with the Secretary of State.

Section 11.10. Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, fund balance and other matters customarily included in financial statements. The books of account shall at all reasonable times be open to inspection by any Director or Member. The Treasurer shall deposit or cause to be deposited all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers vouchers, money, and other property of every kind in the Treasurer's possession, or under his or her control, on the death, resignation, retirement, or removal from office of the Treasurer.

ARTICLE XII

Assessments and Finances

Section 12.01. Description of Assessments to which Owners are Subject. Owners of Units within the Properties are subject to Annual and Special Assessments as more particularly described in Article VI of the Covenants, Conditions and Restrictions.

Section 12.02. Creation of the Lien and Personal Obligation of Assessments. The creation of the lien and personal obligation for assessments are governed by Section 6.01 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.03. Purpose and Basis of Assessments. The purpose and basis of assessments are as specified in Sections 6.02 through 6.05 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.04. Date of Commencement of Assessments: Due Dates. The date of commencement and the due dates of assessments are as specified in Sections 6.01(d), 6.03(d) and 6.04(b) of Article VI of the Covenants, Conditions and Restrictions.

Section 12.05. Effect of Non-Payment of Assessment: Remedies of the Association. The effect of non-payment of assessments and the remedies of the Association shall be as specified in Section 6.09 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.06. Subordination of Lien to Mortgages. The lien of the assessments shall be subordinated to the lien or charge of any first mortgage of record as more particularly described in Section 6.11 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.07. Checks. All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. However, the Board may designate the managing agent as one of two signatories on the operating account.

Section 12.08. Association Accounts. The Board shall maintain a deposit account and any other accounts it shall deem necessary to carry out its purposes, including reserve accounts as more particularly set forth in Article VI of the Covenants, Conditions and Restrictions. The signatures of at least two (2) persons, who shall be members of the Board of Directors, shall be required for the withdrawal of money from the Association's reserve accounts.

Section 12.09. Budgets and Financial Statements. Financial statements for the Association shall be regularly prepared and copies thereof shall be distributed by first-class mail to each Member of the Association as follows:

(a) A pro forma operating budget for each fiscal year shall be distributed to Members not less than forty-five (45) nor more than sixty (60) days before the beginning of the fiscal year. The pro forma operating statement shall include all of the following:

- (1) The estimated revenue and expenses on an accrual basis.
- (2) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to California Civil Code Section 1365.5 (or any successor statute thereto), which shall be printed in 10-point boldface type and include all of the following:
 - (i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.
 - (ii) As of the end of the fiscal year for which this study is prepared:
 - (A) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components.
 - (B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components.
 - (iii) The percentage that the amount determined for purposes of clause (B) of subsection (ii) is of the amount determined for purposes of clause (A) of subsection (ii);
- (3) A statement as to whether the Board of Directors of the Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or

restore any major component or to provide adequate reserves therefor;

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

(b) Within one hundred twenty (120) days after the close of the fiscal year, an annual report consisting of:

- (1) A balance sheet as of the end of the fiscal year.
- (2) An operating (income) statement for the fiscal year.
- (3) A statement of changes in financial position for the fiscal year.
- (4) A statement of the place where the names and addresses of the current Members are located.
- (5) Any information required to be reported under Section 8322 of the Corporations Code with respect to certain transactions in excess of Fifty Thousand Dollars (\$50,000.00) per year between the Association and a Director or officer of the Association and indemnifications and advances to officers or Directors in excess of Ten Thousand Dollars (\$10,000.00) per year or such other transactions as may be required to be disclosed by such statute or any successor statute.

The annual report shall be prepared by an independent accountant for any fiscal year in which the gross income of the Association exceeds Seventy-five Thousand Dollars (\$75,000.00), and shall be prepared in accordance with generally accepted accounting principles and standards as established by the California State Board of Accountancy. If the annual report is not prepared by an independent accountant it shall be accompanied by the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

(c) In lieu of the distribution of the financial statement required by Section 12.09(a) of this Article XII, the Board may elect to distribute a summary of the budget to all Members with a written notice that the pro forma operating budget is available

at the business office of the Association or at another suitable location within the boundaries of the development and that copies will be provided upon request and at the expense of the Association. If any Member requests a copy of the financial statement required by said Section 12.09(a) to be mailed to the Member, the Association shall provide the copy to the Member by first-class United States mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the summary of the budget.

(d) A statement as to the Association's policies and practices in enforcing the lien rights or other legal remedies for the default in the payment of its assessments against its Members shall be annually delivered to each Member of the Association within sixty (60) days prior to the beginning of the fiscal year.

Section 12.10. Fiscal Review. The Board of Directors shall do all of the following:

(a) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.

(b) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis.

(c) Review the current year's actual reserve revenues and expenses compared to the current year's budget, on at least a quarterly basis.

(d) Review the latest account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(e) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

Section 12.11. Withdrawal From Reserves. The signature of two (2) persons, who shall be members of the Board, shall be required for the withdrawal of monies from the Association's reserve accounts.

Section 12.12. Limitation on Reserve Expenditures. The Board of Directors shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the

reserve fund was established. However, the Board may authorize the 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. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Association, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this Section. The Board may, at its discretion, extend the date the payment of the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of the Association of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members of the Association at the Association's office.

Section 12.13. Reserve Study Requirements. At least once every three (3) years the Board of Directors shall cause to be conducted 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 if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the Association which excludes the Association's reserve account for that period. The Board shall review this 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 study required by this Section shall at a minimum include:

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

(b) Identification of the probable remaining useful life of the components identified in subparagraph (a) of this Section 12.13, as of the date of the study.

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in subparagraph (a) of this Section 12.13 during and at the end of its useful life.

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in subparagraph (a) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

As used in this Section 12.13, "reserve accounts" means monies that the Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain; and the term "reserve account requirements" means the estimated funds which the Board of Directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

ARTICLE XIII

Indemnification and Insurance

Section 13.01. Indemnification Right and Power.

(a) The Association shall indemnify any agent of the Association who was a party to any proceeding by reason of the fact that the person is or was an agent of the Association against expenses actually and reasonably incurred in any proceeding to the extent that the agent was successful on the merits in defense of the proceeding or in defense of any claim, issue, or matter therein. Expenses shall include any attorney's fees and any other expenses of establishing a right to indemnification.

(b) The Association may indemnify any agent of the Association who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred in connection with such proceeding provided the

approval requirements described in Section 13.02 of these Bylaws have been satisfied.

(c) For purposes of Sections 13.01-13.05 of these Bylaws, the term "agent" means any present or former Director, officer, employee, or other agent of the Association, the term "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, and the term "expenses" includes judgments, fines, or settlements occurring in any proceeding other than a proceeding brought by or on behalf of the Association.

Section 13.02. Indemnification Approval.

(a) Unless indemnification is required as provided in Section 13.01 of these Bylaws, indemnification shall be made only if authorized in the specific case on a determination that indemnification is proper in the circumstances because the agent satisfied the appropriate standard of care described in Section 13.03 of these Bylaws. The determination must be made by one (1) of the following methods:

- (1) A majority vote of a quorum of the Board consisting of Directors who are not parties to the proceeding.
- (2) The affirmative vote of a majority of the Voting Power of the Members entitled to vote at a duly held Members' meeting in which a quorum was present, or the approval by written ballot under the procedures described in Section 4.06 of these Bylaws, provided that if the agent to be indemnified is a Member, the agent shall not be entitled to vote.
- (3) The court in which such proceeding is or was pending on application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application is opposed by the Association.

(b) Notwithstanding the foregoing, any indemnification in any proceeding brought by or on behalf of the Association shall be subject to the restrictions contained in California Corporation Code Section 7237(c).

Section 13.03. Standard of Care. In any proceeding brought by or on behalf of the Association, the applicable standard of care shall require that the agent acted in good faith, in a manner the agent believed to be in the best interests of the

Association and with the care, including reasonable inquiry, that an ordinarily prudent person in like position would use under similar circumstances. In all other proceedings, the agent must have acted in good faith, in a manner the agent believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 13.04. Advancement of Expenses. On approval by the Board, expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of the proceeding, provided the Association receives an undertaking by or on behalf of the agent that the advances will be repaid unless it is ultimately determined that the agent was entitled to indemnification as required or authorized by these Bylaws.

Section 13.05. Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its agents against any liability asserted against or incurred by any agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under Section 13.01-13.04 of these Bylaws.

Section 13.06. Officer and Director Liability. Until Section 1365.7 of the California Civil Code is amended to provide otherwise, any person who suffers injury, including, but not limited to, bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of a volunteer officer or volunteer Director of the Association shall not recover damages from a volunteer officer or volunteer Director if all of the following criteria are met:

(a) The act or omission was performed within the scope of the officer's or Director's Association duties.

(b) The act or omission was performed in good faith.

(c) The act or omission was not willful, wanton, or grossly negligent.

(d) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made one or more policies of insurance which shall include coverage for (1) general liability of the Association and (2) individual liability of officers and Directors of the Association for negligent acts or omissions in that capacity; provided, that both types of coverage are in the minimum amount of One Million Dollars (\$1,000,000). However, in no event shall the

Association maintain lower limits of insurance than are provided in Article XII, Sections 12.01 and 12.06 of the Covenants, Conditions and Restrictions.

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

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

This Section shall only apply to a volunteer officer or Director who is a tenant of a separate interest in the Properties or is an Owner of not more than two separate interests in the Properties.

ARTICLE XIV

Miscellaneous

Section 14.01. Records. The Association shall maintain the following records:

- (a) Adequate and correct books and records of account.
- (b) Written minutes of the proceedings of its Members, Board and committees of the Board.
- (c) A record of its Members, giving their names, addresses and voting rights.
- (d) The Association shall keep at its principal office the original or a copy of the Declaration, the Articles, these Bylaws and the Association Rules, as amended to date.

Section 14.02. Inspection of Books and Records.

(a) All books, records, minutes (including minutes of meetings of committees of the Board), membership lists and papers of the Association, except confidential or privileged matters such as litigation files or employee records, shall at all times, during reasonable business hours, be subject to the inspection of any

Member at the offices of the Association for any purpose reasonably related to the Member's interest as such. Members' rights of inspection hereunder shall be exercisable on ten (10) days written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. Inspection rights as to the membership list shall be subject to the Association's right to offer a reasonable alternative to inspection within ten (10) days after receiving the Member's written demand (as more particularly set forth in Sections 8330 and following of the California Non-Profit Corporation Law).

(b) The Board of Directors shall establish reasonable rules with respect to (1) notice of inspection, (2) hours and days of the week when inspection may be made, and (3) payment of the cost of reproducing copies of documents requested by the Member.

(c) Every Director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

Section 14.03. General Manager. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Covenants, Conditions and Restrictions, provided that the general manager shall at all times remain subject to the general control of the Board.

Section 14.04. Corporate Seal. The Association may have a seal in circular form having within its circumference the words Capitola Knolls Homeowners Association, State of California.

Section 14.05. Amendment or Repeal of Bylaws. Except as otherwise expressly provided herein, these Bylaws may only be amended or repealed, and new Bylaws adopted by the affirmative vote or written ballot of a majority of the total membership of the Association; provided that if any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended or repealed except by such greater vote, unless otherwise specifically provided herein.

Section 14.06. Notice Requirement. Except as otherwise specifically provided in these Bylaws, any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Association or the Board c/o REMI, 555 Soquel Avenue, Suite #360, Santa Cruz, CA 95062 or such other address as the Board of Directors may from time to time designate in a writing distributed to the Members; if to a Director, at the address from time to time given by such Director to the Secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the Secretary for the purpose of service of such notice, or, if no such address has been so given, to any Unit within the Properties owned by such Member.

Section 14.07. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Non-Profit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions or titles used in these Bylaws are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of these Bylaws.

Section 14.08. Fiscal Year. The fiscal year of the Association shall be the calendar year. However, the fiscal year of the Association is subject to change from time to time as the Board shall determine by resolution, and without the necessity of amending these Bylaws.

Section 14.09. Conflicts Between Documents. The terms and provisions set forth in these Bylaws are not exclusive as Owners also shall be subject to the terms and provisions of other Association management documents including the Articles of Incorporation, Declaration of Covenants, Conditions and Restrictions, Association Rules, and Architectural Standards. In the event of a conflict between any provisions of any of said Association management documents with the provisions of any other Association management documents, the order of superiority of such documents shall be (1) Articles of Incorporation, (2) Declaration of Covenants, Conditions and Restrictions, (3) Bylaws, (4) Architectural Standards, and (5) Association Rules, and the provisions of any such documents shall be superseded by the provisions of the document shown above to be superior to such document to the extent of such conflict.

In Witness Whereof, we have hereunto subscribed our names this _____
day of _____, 2001.

Capitola Knolls
Homeowners Association

President

Secretary

Certificate of Secretary

I, the undersigned, the duly elected and acting Secretary of Capitola Knolls Homeowners Association, a California non-profit mutual benefit corporation, do hereby certify:

That the within and foregoing Bylaws were adopted by written ballot of the Members of said Association as the Bylaws of said Association on the _____ day of _____, 2001, and that the above foregoing Bylaws consisting of 46 pages do now constitute the Bylaws of said Association.

In Witness Whereof, I have hereunto subscribed my name this
_____ day of _____, 2001.

Secretary

o:\users\kathy\govinst\capknoll.by\April 28, 2005

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