

**SECOND AMENDED AND RESTATED BYLAWS
OF
RANCHO MONSERRATE COUNTRY CLUB HOMEOWNERS
ASSOCIATION, INC.**

JUNE 2017

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**SECOND AMENDED AND RESTATED BYLAWS OF
RANCHO MONSERATE COUNTRY CLUB HOMEOWNERS ASSOCIATION, INC.**

This Second Amended and Restated Bylaws (“**Bylaws**”) has been duly approved, adopted and ratified by the vote and written consent of at least fifty-one percent (51%) of the Total Voting Power of the Members and the consent of the Board of Directors of Rancho Monserate Country Club Homeowners Association, Inc. and hereby fully amends and restates any previously adopted Bylaws of Rancho Monserate Country Club Homeowners Association, Inc., including any and all amendments thereto

ARTICLE I. NAME AND LOCATION

1.1. Name. The name of this corporation is Rancho Monserate Country Club Homeowners Association, Inc. (the “**Association**”). The Association shall govern, through its board of directors (“**Board of Directors**” or “**Board**”) and its management company, if any, property commonly known as Rancho Monserate Country Club Mobilehome Park, consisting of a subdivision divided into two hundred thirty-two (232) units, improved or to be improved, with primary residential structures (the units and any improvements thereon shall individually and collectively be referred to as “**Condominiums**”) and other attendant buildings, together with certain customary appurtenances and facilities (the “**Community**”).

1.2. Location. The principal office for the transaction of the business of the Association (“**Principal Executive Office**”) is located in the unincorporated area of Fallbrook within the County of San Diego, State of California. The Board of Directors of the Association may change the Principal Executive Office from one location to another within the County of San Diego.

ARTICLE II. DEFINITIONS

2.1. Declaration. “**Declaration**” shall mean the Second Amended and Restated Declaration of Establishment of Conditions, Covenants and Restrictions for the Community as recorded on July 5, 2017, in the official records of the County Recorder’s office for the County of San Diego, California, as document number 2017-0302120.

2.2. Incorporation by Reference. Any definitions set forth in the Declaration and not otherwise specifically defined herein, shall have the meanings described therein the Declaration and are hereby incorporated by reference into these Bylaws as though set forth in full herein

ARTICLE III. MEMBERSHIP

3.1. Eligibility. The Owner(s) of each Condominium shall be Members of and shall constitute the Association. Each Owner of a Condominium shall automatically become a Member of the Association upon the close of escrow for the purchase of such Owner’s Condominium. Ownership of a Condominium shall be the sole qualification for Membership. Membership shall not be denied to any Owner because of race, sex, color, religion, sexual orientation, marital status, national origin, ancestry, familial status, source of income, or conditions of physical or mental disability.

3.2. Shared Membership Rights. Membership rights may be shared between and exercised jointly by the Owners of a Condominium, provided that there shall be only one (1) Membership per Condominium and only one (1) vote per Membership subject to Section 3.8 of the Declaration.

3.3. Suspension of Membership Privileges. The Board of Directors shall have the right to suspend a Member's Membership in the Association or impose other penalties provided that such suspension or imposition of penalties is done in good faith and in a fair and reasonable manner that is consistent with *California Corporate Code Section 7341* and the Davis-Stirling Act. The Board of Directors shall follow the process set forth in the Policies and Procedures and the Davis-Stirling Act to seek any remedy, including suspension, against a Member.

3.4. Transfer of Membership. Membership shall be appurtenant to the Condominium giving rise to such Membership and shall not be assigned, transferred, pledged, conveyed, or alienated in any way, except upon the transfer of title to said Condominium, and then only to the transferee of title to said Condominium. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Condominium shall operate automatically to transfer Membership in the Association appurtenant to the new Owner of the Condominium.

3.5. Required Disclosures to New Members. An Owner who is selling his Condominium and his or her Membership appurtenant thereto shall provide to prospective purchasers of the Condominium all items set forth in the Davis-Stirling Act, including, without limitation, the following:

- A. A copy of the Association's Governing Documents.
- B. A copy of the Association's Annual Budget Report and Annual Policy Statement as set forth in Article IX below and the Davis-Stirling Act.
- C. A written statement from an authorized representative of the Association as to the amount of the Association's current Regular and Special Assessments (if any) and fees, any Assessments levied upon the selling Member's Condominium that are unpaid on the date of the statement and any monetary fines or penalties levied upon the selling Owner's Condominium and unpaid on the date of the statement. The statement shall also include 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 selling Member's Condominium.
- D. A copy or a summary of any notice previously delivered to the selling Owner by the Board of Directors that sets forth any alleged violation of the Governing Documents that remains unresolved at the time of the request.
- E. Any change in the Association's current Regular or Special Assessments and fees which have been approved by the Board, but have not become due and payable as of the date of the disclosure is provided pursuant to this Section.
- F. If requested by the prospective buyer, a copy of the minutes of Board meetings, excluding meetings held in executive session, conducted over the previous 12 months that were approved by the Board.
- G. Such other documents as may be required pursuant to the Davis-Stirling Act from time to time.

The selling Owner may request, in writing, that the Association (or its management company or managing agent, as such term is defined in the Davis-Stirling Act) provide to the prospective buyer the items required pursuant this Section or the Davis-Stirling Act. The Association or its management

company may charge a reasonable fee for the production of such documents, which fee will be provided to the selling Owner upon receipt of the written request by the selling Owner to provide such documents to the prospective buyer.

ARTICLE IV. MEETINGS OF MEMBERS

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

4.2. Regular Meetings of Members. Regular meetings of Members shall not be required.

4.3. Special Meetings. Special meetings of the Members shall be promptly scheduled at any time by the Board of Directors: 1) in response to the vote of a majority of the Board of Directors; 2) in response to a request by the President; or 3) upon written request of the Members representing at least five percent (5%) of the total voting power of the Association.

Within twenty (20) calendar days after receipt of a resolution of the Board or request demanding a special meeting from the Members, the Secretary shall cause to be given written notice thereof to all of the Members as herein provided, which shall specify the date, time, and place of the meeting, the general nature of the business to be conducted and matters to be considered at such meeting, and no other business may be conducted at the special meeting except as included in the notice. The date for the special meeting fixed by the Board of Directors shall be not less than thirty-five (35) calendar days nor more than ninety (90) calendar days from the receipt of a request given to the Board of Directors by any person entitled to call such meeting. In cases of emergency, the meeting shall be set for a date not fewer than fifteen (15) calendar days nor more than thirty (30) calendar days after the receipt of the request.

4.4. Notice of Member Meetings.

A. Notice in General. Written notice of each meeting of Members shall be sent to the Members, by Individual Delivery, at the direction of the Secretary or such other person authorized to call a meeting at least ten (10) calendar days but not more than ninety (90) calendar days prior to such meeting. The notice shall specify the place, date, and hour of the meeting and in the case of the Annual Members Meeting or general membership meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members. The notice of a general or annual meeting shall state those matters that the Board, at the time the notice is given, intends to present for action by Members by any proper matter may be presented at the meeting for action, except as may be provided in *California Corporations Code Section 7512*.

B. Notice of Certain Agenda Items. If action is proposed to be taken at any meeting for approval of any of the following items, the notice shall also state the general nature of the proposal. Member action on the following proposal(s) 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 created by action of the Members; (3) amending the Association's Articles of Incorporation, Declaration, Bylaws; (4) approving a contract or transaction in which a Director has a material financial interest; or (5) approving a plan of distribution of assets, other than cash, in liquidation.

4.5. Electronic Meetings. A meeting of the Members may be conducted, in whole or in part, by electronic transmission by and to the Association or by electronic video screen communication (1) if

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

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

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

4.6. Quorum. The presence, either in person or participating by written ballot, of forty (40%) of the Total Voting Power of the Association shall be requisite for, and shall constitute a quorum for, the transaction of business at all meetings of Members; provided however, the only actions which may be taken at a meeting where the quorum requirement is less than one-third (1/3rd) of the voting power are those matters which the general nature of which is stated in the notice of the members’ meeting. In the absence of a quorum at the Association meetings, a majority of those present in person or by written ballot may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of quorum shall be to a date not less than five (5) but not more than thirty (30) calendar days from the original date and the quorum for such later meeting shall be twenty percent (20%) of the Total Voting Power of the Association in person or by written ballot. If a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the same manner prescribed for regular meetings.

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

4.8. Adjournment of Meetings. When a meeting is adjourned for lack of a quorum, notice need not be given of the adjourned meeting if the time and place thereof (or the means of electronic transmission by and to the Association or electronic video screen communication, if any, by which Members may participate) are announced at the meeting at which the adjournment is taken. No meeting may be adjourned for more than thirty (30) calendar days. At the adjourned meeting the Association

may transact any business which might have been transacted at the original meeting. If after the adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each Member who, on the record date for notice of the meeting, is entitled to vote at the meeting.

4.9. Voting. Each Condominium, regardless of the number of Owners(s) thereof, has only one (1) vote. Voting rights are further set forth in Section 3.8 of the Declaration. No fractional votes shall be allowed. If a Membership stands of record in the names of two (2) or more persons, their acts with respect to voting shall have the following effect: (a) if one vote is cast, it shall be conclusively bind all Owners; and (b) if more than one vote is cast, all such votes shall be disregarded.

4.10. Members Assent Required. Unless otherwise provided in these Bylaws or the Declaration, all matters at any Members' meeting shall be determined by a "**Majority of a Quorum of the Members**" which shall be the vote of fifty percent (50%) plus one of the Members present, in person or by ballot, constituting a quorum, as set forth in Section 4.6 herein.

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

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

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

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

4.12. Conduct of Meetings. Meetings shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt, as such rules may be revised from time to time; provided, however, such rules shall not be inconsistent with or in conflict with these Bylaws, with the Articles of Incorporation, any other Governing Documents or with any provision of law. The order of business at the meeting of the Members shall be determined by the President of the Board prior to such annual meeting of the Members, and may include, at the President of the Board's discretion, any of the following matters: (a) roll call of Board of Directors, (b) proof of notice of meeting or waiver of notice, (c) presentation of Agenda, (d) approval of meeting minutes for the previous Member's Meeting, (e) reports of Officers, (f) reports of Committees, (g) election of Directors (Annual Members Meetings only), (h) new business, and (i) unfinished or old business. In the case of special meetings, and at the discretion of the President of the Board, items (a) through (c) shall be applicable. Thereafter, the agenda shall consist of the items specified in the notice of the meeting.

4.13. Waiver of Notice or Consent by Absent Members.

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

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

ARTICLE V. DIRECTORS

5.1. Number and Qualification. The Association shall be governed by a Board of Directors consisting of five (5) members pursuant to the provisions of Section 4.1 of the Declaration. All of the members of the Board of Directors must be (i) a Qualifying Resident who is an Owner of a Unit and a Member of the Association in good standing, (ii) reside within the Community as their primary residence, and (iii) have resided continuously within the Community for at least one (1) year prior to the nomination. To be in “**good standing**,” a Member must be in compliance with these Bylaws, the Association’s Rules and Regulations, the Declaration (including payment of Assessments), and other applicable Governing Documents, ordinances, and statutes.

5.2. Term of Office. The term of office of each Director shall be effective as set forth in Sections 4.1 of the Declaration.

5.3. Election Process. Board of Directors shall be elected by the Members pursuant to written ballot without a meeting of the Members. The election, balloting and tabulation procedures for the election of the Board of Directors are set forth in the Election Policy, which may be amended from time to time by the Board of Directors, and which shall comply with the Davis-Stirling Act.

5.4. Vacancies. For Directors who are Members of the Association, vacancies in the Board of Directors caused by any reason other than removal of a Director by a vote of the Membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the Members at the next annual meeting of the Members to serve out the unexpired portion of the term.

5.5. Suspension of a Director. A Director shall be suspended from the Board of Directors if he is not a Member in good standing as defined in Section 5.1 above or if such Director is absent from three or more consecutive Board meetings without cause.

5.6. Removal and Resignation of Directors. A Director who has been elected to office by the votes of the Members of the Association, may be removed from office prior to the expiration of his term of office only by the vote of a Majority of a Quorum of Members. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than thirty (30) calendar days delinquent in payment of his Assessments

or who fails to attend four (4) consecutive regular meetings of the Board of Directors, without the prior consent of the remaining members of the Board of Directors, shall be automatically terminated, and the remaining Directors shall appoint his successor as provided in Section 5.4 above.

Any Director may resign at any given time by giving written notice to the other Directors of the Association. Any such resignation shall take effect at a time which must be specified in such notice, and unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5.7. Fees and Compensation. Directors shall serve without compensation, except that they shall be allowed reasonable advancement or reimbursement for expenses incurred in the performance of their regular duties as Directors. Directors may not be compensated for rendering services to the Association in any capacity other than Director unless such other compensation is reasonable and is allowable under the provisions of Section 5.9.

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

- A. Causing to be kept a current record of Membership of the Association;
- B. Establishing Assessments as provided for in the Governing Documents, based on an operating budget formally adopted by the Board of Directors; such budget to provide for all costs, including maintenance, insurance, taxes, interest and principal payments, plus a reasonable amount for contingencies and capital reserve set aside;
- C. Adopting and amending the Association's Governing Documents, including, without limitation, the Rules and Regulations for the operation of the Common Area and facilities owned or controlled by the Association, in compliance with applicable ordinances and statutes;
- D. Borrowing money and incurring indebtedness for the purposes of the Association and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor;
- E. Initiating and executing disciplinary proceedings against Members of the Association for violations of provisions of the Governing Documents in accordance with procedures set forth in the Governing Documents;
- F. Enforcing applicable provisions of the Governing Documents of the Association;
- G. Paying taxes and assessments that are, or could become, a lien on the Common Area or a portion thereof;
- H. Contracting for casualty, liability, and other insurance on behalf of the Association. The Board of Directors shall contract for general liability insurance on behalf of the Association; the minimum amount of which must comply with the requirements of the Davis-Stirling Act.

I. Contracting for goods and/or services for the common areas, facilities, and interests for the Association, subject to the limitations set forth in Section 5.9B below;

J. Delegating its powers to committees, Officers, or employees of the Association as expressly authorized by these Bylaws;

K. Preparing budgets and financial statements for the Association as prescribed in the Governing Documents;

L. Entering upon any Condominium as necessary in connection with construction, maintenance, or emergency repair for the benefit of the Association, subject to the requirements of applicable ordinances and statutes;

M. Electing Officers of the Board of Directors;

N. Filling vacancies on the Board of Directors except for a vacancy created by the removal of a Director;

O. With just cause, selecting and removing any of the Officers, agents, and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with the law and the Governing Documents, and fixing their compensation and requiring from them security for faithful services;

P. Subject to compliance with the Davis-Stirling Act, instituting, defending, settling, or intervening on behalf of the Association in litigation, arbitration, mediation, or administrative proceedings in matters pertaining to (i) enforcement of the Governing Documents, (ii) damage to the Common Area, (iii) damage to the separate interests which the Association is obligated to maintain or repair, or (iv) damage to the separate interests which arises out of, or is integrally related to, damage to the Common Area or separate interests that the Association is obligated to maintain and repair; and

Q. Exercising all other powers and duties as set forth in the Governing Documents.

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

A. Filling a vacancy on the Board of Directors created by the removal of a member of the Board of Directors by a vote of the Membership;

B. Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration (if either has jurisdiction over the Project);

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term

of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

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

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

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

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

(7) Agreements for electronic communications services and equipment, including, but not limited to, copy machines, computers, and facsimile machines, not to exceed five (5) years duration; and

(8) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years.

C. Incurring aggregate expenditures for capital improvements to the area Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

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

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

5.10. Conflict of Interest. Except as provided below, the Board of Directors shall not approve a self-dealing transaction. A self-dealing transaction is one to which the Association is a party and in which one or more of the members of the Board of Directors has a material financial interest, or a transaction between the Association and any entity in which one or more of its Directors has a material financial interest. The Board of Directors may approve a self-dealing transaction if a majority of the Board of Directors finds that the circumstances of any of the following exist:

A. The fact of the common directorship or financial interest is disclosed or known to the Board of Directors and noted in the minutes, and the Board of Directors authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Director or Directors having a material financial interest; or

B. The fact of the common directorship or financial interest is disclosed or known to the Members, and they approve or ratify the contract or transaction in good faith by a majority vote or written consent of Members entitled to vote; or

C. The contract or transaction is just and reasonable as to the Association at the time it is authorized, approved, or ratified.

D. A Director or member of a Committee shall not vote on any of the following matter: (i) discipline of the Director or Committee member; (ii) an assessment against the Director or Committee Member for damages to the Common Area; (iii) a request, by the Director or Committee member, for a payment plan for overdue Assessments; (iv) a decision whether to foreclose on a lien of the Director's or Committee Member's Membership; (v) review of a request for approval pursuant to the Architectural Guidelines for such Director's or Committee Member's Home or Condominium; (vi) a grant of any exclusive use rights over any portion of the Common Areas to the Director or Committee member; or (vii) the discipline of a Member resulting from a written complaint from the Director or Committee member.

5.11. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (1) any person compensated by the Association for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director as Director; and (2) any brother, sister, ancestor, descendant, spouse, brother-in law, sister-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provisions of this Section 5.11 shall not affect the validity or enforceability of any transaction entered into by the Association.

5.12. Meetings of the Board of Directors.

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

B. Regular Meetings. Regular meetings of the Board shall be held quarterly; provided, however, that the Board may elect, by resolution, to hold Regular meetings on a more frequent basis. Emergency meetings may be held within or not more than five (5) miles from the Principal Executive Office, as shall be determined by a majority of the Directors. Notice of regular meetings of the Board of Directors shall be posted at a prominent place or places within the Community, or in a Community wide distributed newsletter, which is hand delivered to each Resident on a monthly basis, and by mail to any Member who requests notification of regular meetings of the Board of Directors at the address requested by the Member, at least four (4) calendar days prior to the day named for such meeting and shall be communicated to each Director at least four (4) calendar days prior to such meeting if serving notice by first-class mail, or within forty-eight (48) hours' of such meeting if notice is delivered

personally or by telephone, including a voice messaging system or by electronic transmission. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or such Director attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of regular meeting of Directors shall be available to the Members of the Association within thirty (30) calendar days of the meeting.

C. Special Meetings. A special meeting of the Board of Directors may be called by written notice signed by the President of the Association or by any two (2) members of the Board of Directors other than the President. The Board shall also call a Special Meeting upon written request of at least five percent (5%) of the total voting power of the Association. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice of special meetings of the Board of Directors shall be posted at a prominent place or places within the Common Area and by mail to any Member who requests notification of regular meetings of the Board of Directors at the address requested by the Member at least four (4) calendar days prior to the day named for such meeting and shall be communicated to each Director at least seventy-two (72) hours prior to such meeting unless the Director signed a waiver of notice or consent to hold the meeting, if serving notice by first-class mail, or within forty-eight (48) hours' of such meeting unless the Director signed a waiver of notice or consent to hold the meeting, if notice is delivered personally or by telephone, including a voice messaging system or by electronic transmission. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or such Director attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of a special meeting of the Board of Directors shall be available to the Members of the Association within thirty (30) calendar days of the meeting.

D. Executive Sessions. The Board of Directors may adjourn to, or meet solely in, executive sessions to consider litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a Member, upon the Member's request, regarding Member's payment of Assessments. The Board shall adjourn to, or meet solely in, executive session to (i) discuss member discipline, if requested by the Member who is the subject of the discussion, and such Member shall be entitled to attend that portion of the executive session; (ii) to discuss a payment plan for any Member; and (iii) to decide whether to foreclose on a lien pursuant to the Declaration. Any executive session for the purpose of discussing Member's discipline may be attended to by that Member. The Association shall provide notice of the executive session meeting via General Delivery at least two (2) days prior to the meeting. Any matter discussed in an executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire Membership of the Association.

E. Emergency Meetings. Emergency meetings may be held within or not more than five (5) miles from the Principal Executive Office, as shall be determined by a majority of the Directors. An emergency meeting of the Board of Directors may be called by the President, or by any two (2) Directors other than the President, if there are circumstances that could not have been reasonably foreseen which requires immediate attention and possible action by the Board of Directors, and which of necessity makes it impracticable to provide notices required by Section 5.12.G. Notice to Members of emergency meetings is not required.

F. Electronic Meetings. The Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except that electronic mail may be used as a method of conducting an emergency meeting if all directors, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the board meeting (which consents may be transmitted electronically).

G. Notice of Meetings. All notices required for a Board meeting shall include the agenda for the meeting. The Board shall not take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice of the meeting.

H. Meeting Agendas, General Restrictions on Action to Items on Agenda. A Board Member, manager or other agent of the Board, may: (i) briefly respond to statements made by made or questions posed by a person speaking at a meeting; (ii) ask a question for clarification, make a brief announcement, or make a brief report on the person's own activities, whether in response to questions posed by a Member or based on the person's own initiative; (iii) provide reference to, or provide other resources for factual information to, its managing agent or other agents or staff; (iv) request its managing agent or other agents or staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct its managing agent or other agents or staff to place a matter of business on a future agenda; and (v) such other action as may specifically be permitted in the Davis-Stirling Act. Notwithstanding the foregoing, the Board may take action on any item of business not appearing on the addenda (i) upon a determination made by a majority of the Board present at the meeting that an emergency situation exists (which shall mean a situation where there are circumstances that could not have been reasonably foreseen by the Board that require immediate attention and possible action by the Board that make it impracticable to provide notice); (ii) upon a determination made by a vote of 2/3rds of the Board members present at a meeting, or, if less than 2/3rds of the Board members are present, then by a unanimous vote of those Board members present, that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda was distributed; or (iii) if such item appeared on an agenda that was distributed for a prior meeting of the Board that occurred not more than 30 calendar days prior to the date that action is taken on the item, and, at the prior meeting, action on the item was continued to the meeting at which the action is taken.

5.13. Rights of Members to Speak at Board Meetings. Members may attend Board meetings, except for executive session board meetings, regardless of where or how such meetings are held. Any Board meeting held via telephone conference shall include a method for participation by the Members. The Board of Directors shall permit any Member of the Association to speak at any meeting of the Association or the Board of Directors, except for meetings of the Board of Directors held in executive session. A reasonable time limit for all Members of the Association to speak to the Board of Directors or before a meeting of the Association shall be established by the Board of Directors.

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

5.15. Telephone/Electronic Meetings. Any meeting, regular or special, including executive sessions, may be held by conference telephone, electronic video screen, or other communication equipment, so long as all of the following apply:

A. Each Director participating in the meeting can communicate with all of the other Directors concurrently.

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

C. The Board of Directors adopts and implements some means of verifying both of the following:

(1) A Person participating in the meeting is a Director or other Person entitled to participate in the Board of Directors meeting;

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

D. Except for a meeting of the Board of Directors held solely in executive session, the notice of the telephone or electronic meeting shall identify at least one physical location so that Members of the Association may attend and at least one member of the Board of Directors shall be present at that location.

Participation by members of the Board of Directors in a telephone or electronic meeting constitutes presence at that meeting as long as all Board Members participating in the meeting are able to hear one another and Members of the Association speaking on matters before the Board. The minutes of the meeting shall state that those participating in the meeting were recognized to be Directors or other Persons authorized to participate in the meeting. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) calendar days after the meeting. If the Common Area consists of an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board of Directors shall communicate said explanation by any means it deems appropriate.

5.16. Quorum. At all meetings of the Board of Directors, a majority of the Directors in office shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. Except as otherwise provided in these Bylaws, the Articles of Incorporation of this Association, or by law, no business shall be considered by the Board of Directors at any meeting at which a quorum is not present, and the only motion which the President of the Board of Directors shall entertain at such meeting is a motion to adjourn. However, a majority of the Directors present at such meeting may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors. When a meeting is adjourned for lack of a quorum, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted at such meeting, other than by announcement at the meeting at which the adjournment is taken.

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

5.17. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such written consent and an explanation of the action taken shall be posted at a prominent place(s) within the Common Area within three (3) days after the written consents of all the Directors have been obtained.

ARTICLE VI. COMMITTEES

6.1. Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the Directors then in office, designate one (1) or more committees, each consisting of at least three (3) Members to serve at the pleasure of the Board of Directors; provided, however, that no committee shall have an even number of committee members. Any committee, to the extent provided in the resolution of the Board of Directors, shall have all authority of the Board of Directors, except that no committee, regardless of Board of Directors resolution, may:

A. Take any final action on matters which, under these Bylaws or the California Nonprofit Corporation Law, also require Members' approval;

B. Fill vacancies on the Board of Directors or in any committee which has the authority of the Board of Directors;

C. Amend or repeal Bylaws or adopt new Bylaws; provided, however, a committee may review and recommend to the Board of Directors revised or amended Bylaws or other Governing Documents for approval by the Board of Directors or the Members as the case may be;

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 these committees;

F. Expend Association funds which have not been previously budgeted or authorized by the Board of Directors;

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

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

6.2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article V of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special

meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of any committee. Minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

6.3. Architectural Committee. The Architectural Committee may be appointed by the Board of Directors and have the powers and duties set forth in Section 6.10 of the Declaration and the Architectural Control and Landscaping Rules.

6.4. Purpose of Committees. The purpose of all committees shall be to assist the Board of Directors in the development of policies and to assist in the oversight and assessment of the Association policies. No committee shall be assigned, delegated, or chartered in any manner which would authorize them to take final action in the name of the Association. No committee, officer of a committee, or member of the committee shall take any action that is assigned to the office of the President or other Officers of the Association. All committees shall report to the Board of Directors and shall serve at the pleasure of the Board. Committees of the Board of Directors shall not have authority to direct contractors, agents, or Officers of the Association.

ARTICLE VII. OFFICERS

7.1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Chief Financial Officer or Treasurer all of whom shall be elected by and from the Board of Directors (“Officers”). The Directors may appoint an assistant treasurer, and an assistant secretary, and such other Officers as, in their judgment, may be necessary.

7.2. Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the Annual Meeting of Directors and shall hold office for a term of one (1) year or until such time as either a replacement is appointed or sooner removed.

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

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

7.5. Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by appointment of the Board of Directors.

7.6. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Members and of the Board of Directors and shall have all of the general powers and duties which are usually vested in the office of President of an Association.

7.7. **Vice President.** The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to do so on an interim basis. The Vice President shall also perform other such duties as shall from time to time be imposed upon him or her by the Board of Directors.

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

7.9. **Chief Financial Officer or Treasurer.** The Chief Financial Officer or Treasurer shall have the responsibility for Association funds and securities; shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association; and shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

7.10. **Non-Liability of Officers and Directors.** No Officer or Director of the Association shall be liable for acts or defaults of any other Officer or Directors or for any loss sustained by the Association, or any Member thereof, unless the same had resulted from such Officer or Director's willful or wanton misconduct or negligence. Indemnification of Officers, Directors and Members shall be in accordance with the provisions set forth in Section 10.1 of these Bylaws and Section 3.5 of the Declaration.

ARTICLE VIII. RECORDS AND REPORTS

8.1. **Member Inspection Rights.** The Association shall keep and maintain adequate and complete, and shall make available, the Corporate Records (as hereinafter defined) for inspection and copying by Members or the Member's designated representative in accordance with the terms set forth herein and in the Davis-Stirling Act.

A. **"Corporate Records"** shall mean all documents itemized in *California Civil Code Section 5200*.

B. The inspection shall be held at the Association's management company offices or such other place as can be mutually agreed upon between the requesting Member and the Association.

C. The Association may charge to the requesting Member the direct and actual costs of copying and mailing requested documents. Additionally, the Association may charge the requesting Member an hourly fee for the time actually and reasonably involved in redacting Association Records subject to redaction (which hourly fee shall comply with the amounts as may be set forth in the Davis-Stirling Act).

D. The Corporate Records are subject to inspection for the current fiscal year and for each of the previous two (2) fiscal years; however, minutes of Member and Board meetings are subject to inspection permanently.

E. When a Member properly requests access to the Corporate Records, access shall be granted within the following applicable time periods: (i) for Association Records prepared during the

current fiscal year, within ten (10) business days following the Association's receipt of the request; (ii) for Association records prepared during the previous two (2) fiscal years, within thirty (30) calendar days following the Association's receipt of the request; or (iii) such time periods as may be designated in *California Civil Code Section 5210*.

F. The Association has the right and authority, but not the obligation, to redact information from the Corporate Records in accordance with the Davis-Stirling Act, including, without limitation, such information that is privileged under the law, could compromise the privacy of any Member of the Association, could lead to fraud or identify theft of any Member.

G. A Member requesting a list of the Association's Members shall state the purpose for which the list is requested which purpose shall be reasonably related to the requesting Member's interest as a Member in the Association. If the Association reasonably believes that the information in the membership list will be used for another purpose, it may deny the Member access to the list. If the request is denied, in any subsequent action brought by the Member under the Davis-Stirling Act to attempt to enforce Member's inspection rights, the Association shall have the burden to prove that the Member would have allowed use of the information for purposes unrelated to the Member's interest as a Member.

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

ARTICLE IX. FISCAL MANAGEMENT

9.1. Fiscal Year. The fiscal year of the Association shall begin on July 1 of each year and end on June 30th:

9.2. Annual Reports. Within thirty (30) to ninety (90) days before the end of the Association's fiscal year, the Board shall prepare and distribute the following reports or policies:

A. An "**Annual Budget Report**" which Annual Budget Report shall include at a minimum:

(1) A pro forma operating budget including the estimated revenues and expenses on an accrual basis;

(2) A summary of the Association's reserves to include the requirements of and in the form of the "Assessment and Reserve Funding Disclosure Summary" form set forth in the Davis-Stirling Act.

(3) A statement as to all of the following:

(a) Whether the Board of Directors has determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(b) Whether the Board of Directors, consistent with the reserve funding plan adopted pursuant to Section 9.2.A.(2) above, has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Assessment.

(c) The mechanism or mechanisms by which the Board of Directors will fund reserves to repair or replace major components, including Assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(d) Whether the Association has any outstanding loans with an original term of more than one (1) year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(e) 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.

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

(4) A summary of the Association's property, general liability, flood, and fidelity insurance policies, which summary includes for each policy (if not the same): (i) the name of the insurer; (ii) the type of insurance; (iii) the policy limits of the insurance; and (iv) the amount of deductibles, if any. If such information is contained in the insurance policy declaration page, the Association may meet its obligations herein by distributing copies of such page with the Annual Budget Report. The summary distributed pursuant to this Section 9.2A.(4) shall contain, in at least ten (10) point boldface type, the following statement:

“This summary of the Association's policies of insurance provides only certain information, as required by *Section 5300 of the Civil Code*, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage.”

B. An “**Annual Policy Statement**” that provides the Members with information about the Association's policies which statement shall include the following:

(1) The name and address of the person designated to receive official communications on behalf of the Association;

(2) A statement explaining that a Member may submit a request to have notices sent to up to two (2) different specified addresses;

(3) The location, if any, designated for posting of a notice through General Delivery;

(4) Notice of a Member's option to receive general notices by Individual Delivery;

(5) Notice of a Member's right to receive copies of meeting minutes;

(6) The statement of assessment collection policies including, without limitation, describing the Association's policies and procedures in enforcing lien rights or other legal remedies for default in the payment of Assessments;

(7) A statement describing the Association's discipline policy including any schedule of penalties for violations of the governing documents;

(8) A Summary of dispute resolution procedures;

(9) A summary of any requirements for the Association's approval of a physical change to any portion of the a home or lot.

(10) The mailing address for overnight payment of Assessments; and

(11) Any other information required by the Governing Documents, applicable laws or that the Board decides to include.

C. The Association shall prepare a review of the financial statement of the Association which shall be prepared in accordance with generally accepted accounting principals by a licensee of the California Board of Accountancy for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of the review of the financial statements shall be distributed to the Members within one-hundred twenty (120) days of the close of each fiscal year, by Individual Delivery.

9.3. Distribution of Annual Budget Report and Annual Policy Statement. The Annual Budget Report and the Annual Policy Statement shall be delivered to the Members via Individual Delivery (as set forth in Sections 9.2A and 9.2B above) by the Association via one of the following methods: (i) provide a full copy of the applicable reports; or (ii) provide a summary of the reports which shall include a general description of the content of the report with instructions on how to request a complete copy of the report at no cost to the member. If a Member requests to receive all reports in full, the Association shall deliver the full reports to that Member, rather than a summary of the report.

9.4. Review of Fiscal Affairs. The Board of Directors shall, on a no less than quarterly basis, review the following:

A. A current reconciliation of the Association's operating accounts;

B. A current reconciliation of the Association's reserve accounts;

- C. The current year's actual reserve revenues and expenses compared to the current year's budget;
- D. The latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and
- E. An income and expense statement for the Association's operating and reserve accounts.

9.5. Execution of Association Documents. With the prior authorization of the Board of Directors, all notes and contracts, including the Governing Documents, shall be executed on behalf of the Association by either the President or the Vice President, and all checks shall be executed on behalf of the Association by two (2) people as designated by the Board of Directors, one (1) of which shall be either the President, the Vice President, or the Chief Financial Officer.

9.6. Reserve Studies. At least every three (3) years the Board of Directors shall cause a reserve study to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the Major Components (as defined below) which the Association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements of the Project, if the current replacement value of the Major Component is equal to or greater than one-half (½) of the gross budget of the Association, excluding the Association's reserve account for that period. The Board of Directors shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the Board of Directors' analysis of the reserve account requirements as a result of that review.

The study required by this Section shall at a minimum include:

- (1) 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 ("**Major Components**");
- (2) Identification of the probable remaining useful life of the Major Components above as of the date of the study;
- (3) An estimate of the cost of repair, replacement, restoration, or maintenance of the Major Components during and at the end of its useful life;
- (4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each Major Component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study; and
- (5) A reserve funding plan that indicates how the Association plans to fund the contribution identified in subparagraph (4) above to meet the Association's obligations for the repair and replacement of all major components with an expected remaining life of 30 years or less.

As used in this Section 9.6, the definition of "**Reserve Account**" shall mean both: (a) monies

that the Association's 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, in accordance with the *Davis-Stirling Act*; and (b) funds received but not expended or disposed from either a compensatory damage award or settlement to the Association from any person or entity for injuries to property, real or personal, arising from any construction or design defects, which funds shall be separately itemized from funds described as the items in (a) above.

As used in this Section 9.6, "**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, maintain, or restore those Major Components which the Association is obligated to maintain.

9.7. Review of Operating and Reserve Accounts; Reserve Funding Plan. The Board of Directors shall review (i) a current reconciliation of the Association's operating account; (ii) a current reconciliation of the Association's reserve accounts, (iii) the current year's actual reserve revenues and expenses compared to the current year's budget and (iv) an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis. Based on such review, the Board of Directors shall prepare a reserve funding plan which shall include a schedule of the date and amount of any change in regular

9.8. Reserve Account Fund Management. 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, or litigation involving Major Components. However, the Board of Directors 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 that the Board of Directors has provided notice to the Members (in accordance with Section 5.12.G.) of the intent to consider the transfer in a notice of meeting which notice shall include the reason that the transfer is needed, some of the options for repayment, and whether a Special Assessment may be considered. If the Board of Directors authorizes the transfer of the reserve funds, it shall issue a written finding, recorded in the Board of Director's minutes, explaining the reasons what 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 of Directors may, after giving the same notice as required above, and upon making a finding supported by documentation that the temporary delay would be in the best interest of the Community, delay the restoration. The Board of Directors 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 9.8. This Special Assessment is subject to the limitation imposed by Section 5.5 of the Declaration. The Board of Directors may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board of Directors 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 Board shall provide General Notice to the Members of the Association of that decision, and of the availability of any accounting of those expenses. The Board shall make an accounting of expenses related to the litigation on at least a quarterly basis on behalf of the Association. The accounting shall be made available for inspection by Members of the Association at the Association's office.

9.9. Reserve Account Signatories. The signatures of at least two (2) persons, who shall be directors; or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the Association's reserve account.

ARTICLE X. MISCELLANEOUS

10.1 Indemnification. The Association shall indemnify its Directors, Officers, employees, and agents, including persons formerly occupying any such position, to the fullest extent permitted by law, against all expenses, judgments, fines, and other amounts actually and reasonably incurred by them in their capacity as Directors, Officers, employees, and agents in connection with any threatened, pending, or completed action or proceedings, whether it is civil, criminal, administrative, or investigative.

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

A. Where the action or proceeding is brought on behalf of the Association or involves a self-dealing transaction, as is provided for in Section 5.10 of these Bylaws, the Association shall not indemnify against amounts paid in settlement or judgment amounts, but shall, upon the express authorization of the Board of Directors, indemnify the Director, Officer, employee, or agent against expenses incurred in defense of an action arising from his relationship to the Association. To indemnify in such cases the Board of Directors must find the person met the statutorily prescribed standard of care by acting (1) in good faith, (2) in the best interests of the Association, and (3) with the care of an ordinarily prudent person.

B. Where the person seeking indemnification under Section 10.1A has been held liable to the Association, or has settled his liability to the Association, the Association shall not indemnify against expenses without the approval of the court or the Attorney General.

C. The Board of Directors shall determine whether the person seeking indemnification has acted in accordance with the standard of care set forth in this Section 10.1A by a majority vote of a quorum consisting of disinterested Directors. The termination of any proceeding in a manner adverse to the defendant seeking indemnification shall not create a presumption that such person failed to meet the standard of care.

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

E. The Association shall not advance any money to the person seeking indemnification for the purpose of defending against any action or proceeding without the receipt of an undertaking by such person to repay all advances unless it is ultimately determined that he is entitled to indemnification.

10.2. Construction and Definition. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law, as amended from time to time, shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the feminine gender

includes the masculine and neuter, the singular number includes the plural, the plural includes the singular, and the term “person” includes both the Association and a natural person.

10.3. Notices. All notices required or permitted under the Governing Documents must be in writing and may be served upon the Association or Member by any means permitted by law. Any such notice served upon Member by First Class United States mail, postage prepaid shall be deemed served forty-eight (48) hours after its mailing. All notices to the Association shall be mailed to the Association in accordance with the notice set forth in the Annual Policy Statement.

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

10.5 Enforcement of Governing Documents. Unless otherwise indicated in any other provisions of the Governing Documents, including these Bylaws, enforcement of such Governing Documents shall be governed by a separate and independent document referred to as the Procedures and Policies as adopted by the Board of Directors and incorporated herein by reference.

10.6 Amendment. These Bylaws and the Articles of Incorporation may be amended by the vote or written assent of a fifty-one percent (51%) of the Members in good standing. Amendments may be proposed by the Board of Directors or by petition signed by at least twenty percent (20%) of the Members. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon.

10.7 Statutory Reference. Where a provision in these Bylaws makes reference to a California statute, or where a Bylaw provision is required by a California statute, such reference shall include the referenced code section, any amendments thereto, restatements, replacements or renumbering and any amendment to such statute shall be deemed to automatically amend the affected Bylaw provision, and the Association shall comply with the requirements of such amended law in place of any requirements set forth in these Bylaws.

10.8 Conflicts. If there are any conflicts or inconsistencies between the provisions of the Declaration and these Bylaws, the provisions of the Declaration shall control.

10.9 Gender, Singular and Plural. Within these Bylaws, words of any gender shall be held and construed to include any other gender, and words in the singular shall be held and construed to include the plural and vice versa, unless the context otherwise requires.

CERTIFICATE OF SECRETARY

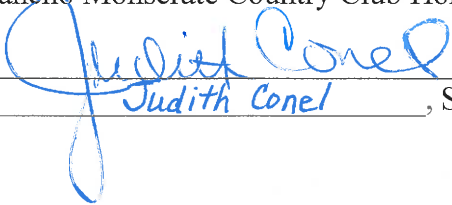
I, the undersigned, do hereby certify:

(1) That I am the duly elected and acting Secretary of Rancho Monserate Country Club Homeowners Association, Inc., a California nonprofit mutual benefit corporation; and

(2) That the foregoing Second Amended and Restated Bylaws, comprising of Twenty-Three (23) pages, constitute the Bylaws of this Association as duly adopted and approved by the consent of at least fifty-one (51%) of the total voting power of the Rancho Monserate Country Club Homeowners Association, Inc.

IN WITNESS THEREOF, I have hereunto subscribed my name, this [14] day of June, 2017.

Rancho Monserate Country Club Homeowners Association, Inc.



Judith Conel, Secretary