

AMENDED AND RESTATED

BYLAWS

OF

SEAL BEACH MUTUAL NO. TWO

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AMENDED AND RESTATED
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OF
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ARTICLE I

DEFINITIONS AND ORGANIZATIONAL INFORMATION

Section 1.1 – Name and Location.

The name of the corporation is Seal Beach Mutual No. Two (hereinafter the “Mutual” or “Corporation”). The principal office of the Mutual is located in Seal Beach, California.

Section 1.2 – Formation.

The Mutual is a stock cooperative and has formed a corporation primarily for the purposes of holding title to improved real property to which the shareholders of the corporation received a right of exclusive occupancy in a portion of the real property. The corporation was organized and exists under the California General Corporation Law (California Corporations Code Sections 100, et seq.) and is subject to the Davis-Stirling Common Interest Development Act (California Civil Code Sections 4000, et seq.)

Section 1.3 – Purposes.

The purposes of the Mutual are: (a) to provide housing to its Qualifying Residents on a non-profit cooperative basis; (b) to manage, maintain, preserve, and administer the business of a common interest development; and (c) to engage in any business or activity permitted under California law.

Section 1.4 – Powers.

For the purposes specified above, the Mutual has the following powers: (a) to take such action as is permitted by its Articles of Incorporation (“Articles”) and these Bylaws; (b) to do any other act now or hereafter permitted under the California General Corporation Law; (c) to take any action permitted by, and exercise any powers granted to, an “Association” under the Davis-Stirling Act; and (d) to adopt, amend or repeal necessary or desirable rules and regulations, through its Board of Directors, to carry out the purposes of the Mutual, including disciplinary procedures,

Shareholder and Qualifying Resident qualifications and termination of Shareholder's and Qualifying Resident's rights.

Section 1.5 – Definitions.

To the extent the definitions for the terms, as set forth below, conflict with any other definition for the terms found in any other Governing Document, the definitions as set forth in these Bylaws, will control.

(a) **Assessment:** The amounts which Shareholders, and Qualifying Residents are bound to pay pursuant to the terms of their respective Occupancy Agreements, Governing Documents and California Law, including, but not limited to, Regular Assessments, Special Assessments and Reimbursement Assessments.

(b) **Co-Occupant:** Any person who seeks to reside with a Qualifying Resident, who is approved by the Board of Directors for occupancy, and who shall certify on the application submitted to the Mutual that he or she satisfies the criteria as set forth in California Civil Code Section 51.3, et seq. and shall provide such additional certification or information and execute any agreements related to co-occupancy as the Mutual or its managing agent may require.

(c) **Common Area:** The entire Community except the Units. The Common Area is owned by the Mutual and includes open spaces, recreational areas and other improvements intended for the general use of the Qualifying Residents.

(d) **Community:** The property and all buildings, structures, utilities, common areas, Units, and other improvements located thereon, and all appurtenances thereto, which are intended to create a stock cooperative as described by applicable law.

(e) **Golden Rain Foundation (also known as "GRF"):** The Golden Rain Foundation, a California domestic nonprofit corporation.

(f) **GRF Amenities Fee:** The one-time amount which Qualifying Residents are bound to pay to the Mutual and/or the GRF pursuant to the terms of their respective Occupancy Agreements, the Governing Documents and/or California Law.

(g) GRF Assessment: The monthly amounts which Qualifying Residents are bound to pay to the Mutual and/or the GRF pursuant to the terms of their respective Occupancy Agreements, the Governing Documents and/or California Law.

(h) Governing Documents: All of the following, collectively, are Governing Documents: Articles of Incorporation; Bylaws; Occupancy Agreements; Rules and Regulations; and any Resolutions or Policies of the Board; all as the same may be lawfully amended or modified from time to time.

(i) Occupancy Agreement: The agreement between the Mutual and its Qualifying Residents, respectively, under the terms of which said Qualifying Residents are entitled to enjoy possession of their respective Units and the use of facilities owned by the Mutual and the Golden Rain Foundation.

(j) Permitted Health Care Resident: Any person who is hired to provide live-in, long-term, or terminal health care to a Qualifying Resident, or a family member of the Qualifying Resident that meets the requirements as set forth in California Civil Code Section 51.3, et seq.

(k) Qualifying Resident: Any person who: (i) meets the age requirements as set forth in California Civil Code Section 51.3, et seq.; (ii) has been approved by the Board of Directors for occupancy of a Unit, pursuant to the terms of the Governing Documents; (iii) is a Shareholder of the Mutual; and (iv) resides in a Unit.

(l) Qualified Permanent Resident: Any person who meets the requirements as set forth in California Civil Code Section 51.3, et. seq.

(m) “Rules” or “Rules and Regulations” shall mean any rules, regulations and policies adopted by the Board from time to time that apply generally to the management and operation of the Community or the conduct of the business and affairs of the Mutual. The adoption, amendment, or repeal of certain Rules is subject to special rule change requirements pursuant to the Davis-Stirling Act and as described in these Bylaws.

(n) Share Ownership: “Share Ownership” refers to the legal relationship and status of being a Shareholder of the Mutual, and an entitlement to the rights and privileges appurtenant thereto as defined herein. Share Ownership rights and

privileges may be limited, suspended or terminated as provided in the Governing Documents and by applicable law. "Share Ownership" may also refer to the Shareholders collectively. A Shareholder may not, either individually or jointly with one (1) or more other persons or trusts, have more than one (1) Share Ownership in the Mutual without first obtaining the prior written approval of the Board of Directors. The granting of such approval shall be at the sole discretion of the Board of Directors. Share Ownerships shall consist of persons who have been approved for Share Ownership by the Board of Directors and to whom a Stock Certificate has been issued.

(o) Shareholder: Any person entitled to Share Ownership in the Mutual as provided herein. The following persons and entities are not eligible to become a Shareholder of the Mutual: a corporation (other than a nonprofit corporation), partnership or trust. Notwithstanding, a trust, whereby the person creating the trust is treated as the Substantial Owner of the Trust pursuant to the provisions of Section 671, and the following related sections of the Internal Revenue Code of 1986, as amended, may be eligible to become a Shareholder of the Mutual, if approved by the Mutual as set forth herein. Such eligible trusts shall be referred to in these Bylaws as "Trust". Trusts may be approved as a Shareholder in the sole discretion of the Board and pursuant to the terms set forth herein. Regardless of the number of persons or entities comprising the Shareholder, no Unit shall, at any time, constitute or include more than one (1) Share Ownership in the Mutual.

(p) "Stock" or "Share": "Stock" or "Share" represents a Shareholder's share in the ownership of the Mutual. Stock represents a Shareholder's claim on the Mutual's assets. A Shareholder will own a Stock or Share in the Mutual once the Mutual's Board has approved the Shareholder for Share Ownership in the Mutual. A Stock or Share is evidenced by the issuance of a Stock Certificate.

(q) "Stock Certificates": The Mutual shall issue a Stock Certificate upon admission to Share Ownership. In the event a Stock is owned by two or more persons, a single certificate shall be issued in the name of all.

(r) Unit: A dwelling unit owned by the Mutual, and the Shareholder's separate interest; specifically, the Qualifying Resident's exclusive right to occupy a specific portion of real property within the Community.

(s) “Civil Code,” “Corporations Code,” “Davis-Stirling Common Interest Development Act,” and similar references shall refer to those California statutes so referenced and any and all comparable superseding statutes.

Section 1.6 – Delivery of Documents.

If a provision of the Davis-Stirling Act or these Bylaws requires that the Mutual deliver a document by “individual delivery” or “individual notice”, the document shall be delivered pursuant to the requirements in Civil Code Section 4040, or any similar superseding statute. If a provision of the Davis-Stirling Act or these Bylaws requires that the Mutual deliver a document by “general delivery” or “general notice”, the document shall be delivered pursuant to the requirements in Civil Code Section 4045, or any similar superseding statute.

Section 1.7 – Amendment and Restatement of Prior Bylaws.

These Bylaws are intended to amend, restate, and replace, in their entirety, any and all bylaws of the Mutual in existence prior to the effective date of these Bylaws.

**ARTICLE II
SHARE OWNERSHIP**

Section 2.1 – Who May be a Qualifying Resident.

Only persons at least fifty-five (55) years of age and who meet the financial requirements and other eligibility requirements as may be established from time to time by the Mutual are eligible to be a Qualifying Resident in the Mutual.

Section 2.2 – Persons Eligible to Reside in a Unit.

A person may reside in a Unit as a Qualifying Resident or a Co-Occupant. No person shall be approved as a Co-Occupant unless another person with whom he or she seeks to reside has been approved as a Qualifying Resident. No person, except a temporary guest pursuant to Section 2.3 below, may reside in a Unit without the prior written approval of the Mutual. A guest may be permitted temporary occupancy in accordance with Section 2. 3 below, and in accordance with the Rules and Regulations of the Mutual.

Section 2.3 – Guest Occupancy.

Guest occupancy is permitted for a maximum period of sixty (60) calendar days per year, per guest, solely in conjunction with the occupancy by a Qualifying Resident.

Section 2.4 – Share Ownership Applications.

Application for Share Ownership shall be presented on a form prescribed by the Mutual. All such applications shall be considered by the Board of Directors, and/or other agents of the Mutual. In the case of an applicant Trust, the trustee must execute, or have executed, an Occupancy Agreement (together with any applicable addendum) in a form prescribed by the Mutual covering a specific Unit. The Board of Directors shall have full power and authority to define and identify an approved Trust for the purposes of the Share Ownership application and such decisions shall be within the sole discretion of the Board.

Section 2.5 – Stocks.

The authorized number of Stocks of the Mutual is eight hundred sixty-four (864).

Section 2.6 – Transfer of Stock.

Stock shall not be transferable except as provided herein.

(a) Death of Shareholder with No Surviving Shareholders. If, upon death of a Shareholder leaving no surviving Shareholder, a Share in the Mutual passes by last will and testament, intestate succession or trust bequest, the legatee or distributee, if approved by the Mutual, may become a Shareholder of the Mutual, if otherwise eligible as provided herein, by assuming the obligations of Share Ownership in a manner satisfactory to the Mutual, and within one hundred eighty (180) days after the Shareholder's death by paying all amounts due to the Mutual. On the death of the Shareholder, should the obligation of the Occupancy Agreement not be assumed in accordance with the foregoing, then the Mutual shall have an option to purchase the Share from the deceased Shareholder's estate in the manner provided in paragraph (c) of this section. Written notice of the death shall be equivalent to notice of intention to leave the Mutual. If the Mutual does not exercise said option, the provisions of paragraph (d) of this section shall be applicable. The references to Shareholder in paragraphs (d) and (e) include the personal representative of a deceased Shareholder.

(b) Death of Shareholder with Surviving Non-Resident Co-Owner. If, upon death of a Shareholder in which the Shareholder owns a share in the Mutual with a non-resident co-owner with right of survivorship, a Share Ownership in the Mutual passes by operation of law to the non-resident co-owner, the non-resident co-owner if approved by the Mutual, may become a Shareholder of the Mutual, if otherwise

eligible as provided herein, by assuming the obligations of Share Ownership in a manner satisfactory to the Mutual, and within one hundred eighty (180) days after the Shareholder's death by paying all amounts due to the Mutual. On the death of the Shareholder, should the obligation of the Occupancy Agreement not be assumed in accordance with the foregoing, the Mutual shall have an option to purchase the Share from the non-resident co-owner in the manner provided in paragraph (c) of this section. If the Mutual does not exercise said option, the non-resident co-owner must, within thirty (30) days, commence all necessary actions to sell his or her Share to any person who has been duly approved by the Mutual as a Shareholder.

(c) Option of the Mutual to Purchase. A Shareholder desiring to leave the Mutual shall notify the Mutual of such intention in writing and the Mutual, for a period of thirty (30) days after written notification, shall have an option, but not the obligation, to purchase the Share, together with all of the Shareholder's rights with respect to the Unit, at an amount determined by the Mutual, as representing the market value thereof, less any amounts due from the Qualifying Resident to the Mutual under the Occupancy Agreement, and less the cost or estimated cost of all deferred maintenance, including cleaning, painting, redecorating, floor finishing and such repairs and replacements as the Mutual may deem necessary to place the Unit in suitable condition for another occupant. The purchase of the Share Ownership by the Mutual shall immediately terminate a Shareholder's rights and the Shareholder shall relinquish their Stock Certificate and vacate the premises forthwith.

(d) Procedure Where the Mutual Does Not Exercise Option. If the Mutual should waive its right to purchase the Share under the foregoing option, in writing, or if the Mutual should fail to exercise such option within the thirty (30) day period, the Shareholder may sell his or her Share to any person who has been duly approved by the Mutual as a Shareholder. The Mutual, in approving a proposed transferee, shall not act contrary to any applicable federal, state, or local law or regulation prohibiting discrimination based on race, color, creed, disability, gender, sexual identity or any other legally protected class. When the transferee has been approved for Share Ownership and has executed the prescribed Occupancy Agreement, the retiring Qualifying Resident(s) shall be released of obligations under the Occupancy Agreement, provided all amounts due to the Mutual have been paid.

(e) Market Value. If the Mutual elects to purchase a Share, the term "market value" means the amount which the Shareholder would have received upon

the sale of the Share to the proposed transferee or, in the absence of a proposed transferee, the appraised value as determined by one (1) or more qualified real estate appraisers, less any: (i) real estate, broker's, or other commissions or fees including reasonable attorney's fees; (ii) recording and related costs of transfer; (iii) costs of such repairs and replacements as are deemed necessary by the Mutual to place the Unit in suitable condition for occupancy; and (iv) amounts due from the Shareholder(s) to the Corporation and/or to the Golden Rain Foundation.

Section 2.7 – Stock Certificates.

The Mutual shall issue a Stock Certificate upon admission to Share Ownership. In the event a Stock is owned by two (2) or more persons, a single certificate shall be issued in the name of all. Any or all of the signatures of officers on the certificate may be a photocopy.

Section 2.8 – Lost, Stolen or Destroyed Certificates.

The Mutual may issue a replacement Stock Certificate to the person claiming the Stock Certificate to be lost, stolen or destroyed. The Mutual shall require a bond sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE III

DISPUTE RESOLUTION, DISCIPLINE AND TERMINATION OF SHARE OWNERSHIP

Section 3.1 – Dispute Resolution.

It is the intent of the Mutual to resolve disagreements and misunderstandings with Mutual Shareholders, Qualifying Residents, Co-Occupants, and their guests by conferences, hearings, internal dispute resolution (Civil Code Sections 5900-5920) and discussions in a non-adversarial, cooperative environment. If this is not possible, applicable disputes will be handled in conformance with Civil Code Sections 5925-5965, titled "Alternative Dispute Resolution". A summary of Civil Code Sections 5925-5965 is distributed to Mutual Shareholders annually.

Section 3.2 – Discipline.

(a) The Board of Directors may take disciplinary action against any Shareholder, Qualifying Resident, Co-Occupant, and/or guest for breach of these

Bylaws, Rules or Regulations of the Mutual or any obligation of the Shareholders under his or her Occupancy Agreement. Any disciplinary action authorized hereunder shall not act as a bar to the exercise of any other right or remedy available to the Mutual against any other party for any such breach.

(b) Disciplinary action authorized hereunder may consist of any or all of the following: (i) a fine in an amount determined by the Board of Directors consistent with the published fine schedule; and/or (ii) suspension of the right to use any of the facilities of the Mutual until the violation is cured for each such breach. Such suspension of the right to use facilities of the Mutual or GRF shall apply to the Qualifying Residents, all occupants of the Unit and guests. The Mutual may also make an application to a court of competent jurisdiction for legal or equitable relief.

(c) Before any disciplinary action is taken, as authorized in Paragraph (b) above, a Shareholder, Qualifying Resident, or Co-Occupant shall be entitled to a hearing pursuant to the provisions of paragraph (b) of Section 3.3 of this Article.

(d) In addition, the Shareholder(s) shall be liable to the Mutual for costs of suit and a reasonable sum for attorneys' fees incurred in enforcing the Mutual's Governing Documents.

Section 3.3 – Termination of Share Ownership, Disciplinary Hearings.

(a) Termination of Share Ownership for Cause. A Share Ownership may be proposed for termination for a violation of the Governing Documents or the Occupancy Agreement by the Board of Directors at any executive session of a regular or special meeting of the Board at which a quorum is present, by the affirmative vote of the majority of the Board.

(b) Procedure for Termination and Discipline. After the determination that a Share Ownership should be terminated, or that disciplinary action should be taken by the Mutual against a Shareholder, Qualifying Resident, or Co-Occupant pursuant to Section 3.2 of this Article, the procedure below shall be followed.

(i) A notice shall be sent by prepaid, First-Class and certified mail to the most recent address of the Shareholder as shown on the Mutual's records, setting forth the nature of the proposed termination and/or discipline and the reasons therefor. Such notice shall be sent at least

ten (10) days before the meeting of the Board to consider termination or discipline. The notice to the Shareholder of his or her proposed termination or discipline shall state the date, time, and place of the hearing.

- (ii) The Shareholder being proposed for a termination or discipline shall be given an opportunity to be heard and to present evidence in his or her behalf, either in person, by counsel, or by both, or in writing, at a hearing before the Board of Directors.
- (iii) Following the hearing, the Board shall decide by the affirmative vote of the majority of the total number of Directors whether the Share Ownership should be terminated or whether the Shareholder should be disciplined in some other way. The decision of the Board shall be final.
- (iv) If the Board imposes discipline or determines to terminate Share Ownership, the Shareholder shall be provided written notification of the decision within fifteen (15) days following the action. Termination of the Share Ownership shall be effective upon the date set forth in the notice of termination.
- (v) Following any Disciplinary Hearing, the Board may impose any fines or penalties pursuant to a previously adopted schedule of fines or penalties distributed to each Shareholders.

(c) Effect of Termination. In the event of a termination of Share Ownership under this Article III, and order of unlawful detainer made by any court of competent jurisdiction, giving the Mutual the right to regain possession of the Unit from the Shareholder(s), the terminated Shareholder shall promptly deliver his or her Stock Certificate/Share Ownership to the Mutual, endorsed in a manner satisfactory to the Mutual. The Mutual, at its election, thereupon shall either (i) repurchase said Stock Certificate at its market value as defined in Article II, Section 2.6(e); or (ii) proceed with reasonable diligence to effect a sale of the Share Ownership to a purchaser at a sales price acceptable to the Mutual. If, for any reason, the terminated Shareholders should fail to deliver his or her endorsed Stock Certificates to the Mutual within ten (10) days after demand, said certificates shall be deemed to be

canceled forthwith and new Stock Certificates may be reissued by the Mutual to a purchaser.

Section 3.4 – Fees and Liens.

The Board of Directors shall determine the amount to be paid as fees for use of facilities and for services rendered by the Mutual under the Occupancy Agreement. The Mutual shall have a lien on the Stock in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under any Occupancy Agreement. The Mutual, as may be permitted by law, may file a Notice of Delinquent Assessments pursuant to Section 5675 of the Civil Code on each outstanding Share Ownership to secure payment of any sums for any regular or special assessment, plus any costs of collection and fees (including reasonable attorney's fees), late charges, and interest assessed in accordance with Section 5650 of the Civil Code, which may be due or may become due from the Shareholders, including, without limitation, any sums due under the Occupancy Agreement or for use of the facilities or for services rendered by the Mutual. The Mutual may enforce payment of such sum in any manner permitted by law.

ARTICLE IV

SHARE OWNERSHIP; VOTING RIGHTS AND SHAREHOLDER DISCIPLINE

Section 4.1 – Shareholders; Voting Rights.

The Mutual shall have one (1) class of voting Shareholders. All Shareholders shall be entitled to one (1) vote for each Stock owned. When more than one (1) person holds a Stock, all such Persons shall be Shareholders; the vote for such Stock shall be exercised as those persons among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Stock. If any Shareholder casts a vote on behalf of the Shareholder's Stock, it will be conclusively presumed for all purposes that such Shareholder was acting with the authority and consent of all other Shareholders of such Stock.

Section 4.2 – Eligibility to Vote.

Only Shareholders as of the record dates indicated below shall be entitled to vote on any issue or matter presented to the Shareholders for approval.

Section 4.3 – Voting at Shareholder Meetings.

Voting at any Shareholder meeting may be in person or by proxy and, as applicable, by secret ballot. Elections regarding any topic that is expressly identified in the Governing Documents or the Davis-Stirling Act as required to be held by secret ballot, shall be held by secret ballot in accordance with the procedures set forth in these Bylaws and the Davis-Stirling Act.

Section 4.4 – Cumulative Voting.

Each Shareholder entitled to vote at any election of Directors where two (2) or more positions are to be filled shall have the right to cumulate such Shareholder's votes by giving one (1) candidate a number of votes equal to the number of Directors to be elected, multiplied by the number of votes to which the Shareholder is entitled, or by distributing the Shareholder's votes on the same principle among as many candidates as that Shareholder desires.

Section 4.5 – Proxies.

Any Shareholder entitled to vote may do so by proxy. For purposes of these Bylaws, "proxy" means a written authorization signed by a Shareholder or the authorized representative of the Shareholder that gives another Shareholder the power to vote on behalf of that Shareholder; for purposes of this definition, "signed" means the placing of the Shareholder's name on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Shareholder or authorized representative of the Shareholder.

Proxies shall not be construed or used in lieu of a ballot (whether a secret ballot or other written ballot). The use of proxies shall meet the requirements of the Davis-Stirling Act, the Corporations Code, and the Governing Documents. The Mutual shall not be required to prepare or distribute proxies.

Section 4.6 – Record Dates.

The Board may fix, in advance, a date as the record date for the purpose of determining the Shareholders entitled to notice of meetings of Shareholders and to vote. Such record date shall not be more than sixty (60) days nor less than ten (10) days before the date of the meeting. If no record date is fixed, the default record dates contained in Corporations Code Section 701 shall apply. Notwithstanding anything to the contrary contained herein, when a vote is to be taken by written

ballot (whether at a meeting or without a meeting), Shareholders on the day the first written ballot is mailed or solicited are entitled to cast written ballots.

ARTICLE V ELECTIONS AND VOTING PROCEDURES

Section 5.1 – Election and Voting Rules.

The Mutual shall adopt Rules, in accordance with the procedures prescribed by the Davis-Stirling Act, that are separate and apart from these Bylaws. Election operating Rules adopted pursuant to this Section shall not be amended less than ninety (90) days prior to an election.

Section 5.2 – Inspector of Elections.

The Mutual shall select an independent third party or parties as an Inspector or Inspectors for any election by Secret Ballot; the number of Inspectors shall be one (1) or three (3). For purposes of this Section 5.2, an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, a notary public, or any other party defined as an independent third party by the Davis-Stirling Act. An independent third party may be a Shareholder, but may not be a Director, a candidate for Director, or be related to a Director or to a candidate for Director by blood, marriage, adoption, or domestic partnership. An independent third party may not be a person, business entity, or subdivision of a business entity who is currently employed or under contract to the Mutual for any compensable services, unless allowed by law.

An inspector shall perform all acts required by the Davis-Stirling Act. An Inspector shall perform all duties impartially, in good faith, to the best of the Inspector's ability, and as expeditiously as is practical. If there are three (3) Inspectors, the decision or act of a majority of the Inspectors shall be effective in all respects as the decision or act of all. Any report made by the Inspector or Inspectors is *prima facie* evidence of the facts stated in the report.

Section 5.3 – Procedure for Elections by Secret Ballot.

(a) The Mutual shall provide general notice of the procedure and deadline for submitting a nomination for election to the Board of Directors at least thirty (30) days before any deadline for submitting a nomination. Individual notice shall be

delivered pursuant to Civil Code §4040 if individual notice is requested by a Shareholder.

(b) The Mutual shall provide general notice of all of the following at least thirty (30) days before the ballots are distributed:

(1) The date and time by which, and the physical address where, ballots are to be returned by mail or handed to the inspector or inspectors of elections.

(2) The date, time, and location of the meeting at which ballots will be counted.

(3) The list of all candidates' names that will appear on the ballot.

(4) Individual notice of the above paragraphs shall be delivered pursuant to Civil Code §4040 if individual notice is requested by a Shareholder.

(c) Secret Ballots and two (2) pre-addressed envelopes with instructions on how to return the Secret Ballots shall be mailed by First-Class mail or delivered by the Mutual to every Shareholder not less than thirty (30) days prior to the deadline for voting. In order to preserve confidentiality, a voter may not be identified by name, address, or Unit on the Secret Ballot. The Mutual shall use as a model those procedures used by California counties for ensuring confidentiality of vote by Secret Ballots, including all of the following:

(i) The Secret Ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper left-hand corner of the second envelope, the voter shall sign the voter's name, indicate the voter's name, and indicate the address of the Unit that entitles the voter to vote.

(ii) The second envelope is addressed to the Inspector or Inspectors, who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the Inspector or Inspectors, which location can include the office of the managing agent or management

company for the Mutual, as may be applicable. The Shareholder may request a receipt for delivery.

(d) A quorum shall be required only if so stated in the Governing Documents or other provisions of law. If a quorum is required, each Secret Ballot received by the Inspector shall be treated as a Shareholder present at a meeting for purposes of establishing a quorum.

(e) Except for the meeting to count the votes required in subsection (d) of this Section 5.3, an election may be conducted entirely by mail.

(f) All votes shall be counted and tabulated by the Inspector or Inspectors, or the designee of the Inspector or Inspectors, in public at a properly noticed open meeting of the Board or Shareholders. Any candidate or other Shareholder of the Mutual may witness the counting and tabulation of the votes. No person, including a Shareholder of the Mutual or an employee of the Mutual's management company, shall open or otherwise review any Secret Ballot prior to the time and place at which the Secret Ballots are counted and tabulated; provided, however, the Inspector, or the designee of the Inspector, may verify the Shareholder's information and signature on the outer envelope prior to the meeting at which Secret Ballots are tabulated. Once a Secret Ballot is received by the Inspector, it shall be irrevocable.

(g) The tabulated results of the election shall be promptly reported to the Board, shall be recorded in the minutes of the next meeting of the Board, and shall be available for review by Shareholders of the Mutual. Within fifteen (15) days of the election, the Board shall give General Notice of the tabulated results of the election.

(h) The sealed Secret Ballots, signed voter envelopes, voter list, proxies, and candidate registration list shall at all times be in the custody of the Inspector or Inspectors or at a location designated by the Inspector or Inspectors until after the tabulation of the vote, and until the time allowed by the Davis-Stirling Act for challenging the election has expired, at which time custody shall be transferred to the Mutual. If there is a recount or other challenge to the election process, the Inspector or Inspectors shall, upon written request, make the Secret Ballots available for inspection and review by a Shareholder or the Shareholder's authorized

representative. Any recount shall be conducted in a manner that preserves the confidentiality of the vote.

Section 5.4 – No Use of Mutual Funds for Campaign Purposes.

Mutual funds shall not be used for campaign purposes in connection with any Mutual Board election. Further, funds of the Mutual shall not be used for campaign purposes in connection with any other Mutual election, except to the extent necessary to comply with duties of the Mutual imposed by law. For the purposes of this Section 5.4, “campaign purposes” includes, but is not limited to, the following: (i) expressly advocating the election or defeat of any candidate that is on the Mutual election ballot; and (ii) including the photograph or prominently featuring the name of any candidate on a communication from the Mutual or the Board, excepting the ballot, ballot materials, or a communication that is legally required, within thirty (30) days of an election (provided, however, this is not a campaign purpose if the communication is one (1) for which Rules adopted pursuant to Section 5.1 of these Bylaws or the Davis-Stirling Act require that equal access be provided to another candidate or advocate). Unless otherwise provided by the Davis-Stirling Act, the foregoing restrictions on the use of Mutual funds for campaign purposes shall apply only to the election and removal of Directors.

Section 5.5 – Electronic Balloting and Other Alternative Voting Procedures.

Notwithstanding anything to the contrary contained in these Bylaws, should the Davis-Stirling Act permit electronic balloting and voting for any of those Mutual elections required to be held by Secret Ballot, or any other Mutual votes, the Mutual shall be permitted to utilize such electronic voting procedures. Further notwithstanding anything to the contrary contained in these Bylaws, should the Davis-Stirling Act permit the Mutual to adopt other alternate procedures for voting, including, but not limited to the use of written ballots instead of Secret Ballots for the election of Directors (or any other matters) or not requiring the use of an Inspector for certain votes, the Mutual may adopt and use such statutory alternate procedures in lieu of any conflicting procedures in these Bylaws.

ARTICLE VI
MEETINGS OF SHAREHOLDERS

Section 6.1 – Place of Meetings of Shareholders.

Meetings of the Shareholders shall be held within the Community, the Property or such other suitable place within the County as is practicable and convenient to the Shareholders, as may be designated by the Board of Directors.

Section 6.2 – Annual Meetings of Shareholders.

The annual meeting of Shareholders shall be held in June of each year on a day and at a time to be determined by the Board; provided, however, the annual meeting shall not be held on a federal holiday. At each annual meeting, there shall be elected by Secret Ballot of the Shareholders, a Board of Directors of the Mutual, in accordance with the requirements of these Bylaws. The Shareholders may also transact such other business of the Mutual as may properly come before them.

Section 6.3 – Special Meetings of Shareholders.

Special meetings of the Shareholders for any lawful purpose may be called by the Board or the President of the Mutual. In addition, special meetings of the Shareholders for any lawful purpose may be called by ten percent (10%) or more of the Shareholders, by a request in writing to the Mutual addressed to the President, Vice President, or Secretary of the Mutual, subject to the requirements set forth in Corporations Code Section 601, or any similar superseding statute.

Section 6.4 – Notice.

It shall be the duty of the Secretary of the Mutual, or the designee of the Secretary, to send a notice of each annual or special meeting of the Shareholders to each Shareholder of record, in compliance with Corporations Code Section 601, or any similar superseding statute.

Section 6.5 – Affidavit of Delivery of Notice.

An affidavit of giving of any notice or report in accordance with these Bylaws, executed by the Secretary of the Mutual or any transfer agent, shall be *prima facie* evidence of the giving of the notice or report.

Section 6.6 – Quorum.

Except as may otherwise be provided by the Governing Documents, Davis-Stirling Act or other law, a majority of the shares entitled to vote, represented in person, by

proxy, or by Secret Ballot shall constitute a quorum at a meeting of the shareholders, but in no event shall a quorum consist of less than one-third (1/3) of the shares entitled to vote at the meeting. In the event of a statutory quorum requirement, the following provisions shall apply: (i) the Shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Shareholders required to constitute a quorum, or, if required by law or the Governing Documents, the vote of a greater number of the Shareholders; and (ii) in the absence of a quorum, any meeting of Shareholders may be adjourned from time to time by a vote of a majority of the Shareholders represented, in person, but no other business may be transacted.

Section 6.7 – Adjourned Meetings.

If any meeting of Shareholders cannot be organized because a quorum is not present, a majority of the Shareholders who are present, either in person or by proxy, may adjourn the meeting to a time neither less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person, by proxy, or, as applicable, by Secret Ballot of the Shareholders holding at least a majority of the voting power of the Association. Adjournment of a meeting of Shareholders due to absence of quorum shall not be required, and shall be subject to the foregoing approval of Shareholders. An adjourned meeting may be held without notice thereof as provided under Section 7.4 of these Bylaws, so long as that notice is given by announcement at the meeting at which such adjournment is taken; however, if after adjournment, a new date, time, or place is fixed for the adjourned meeting, Individual Notice of the date, time, and place of such adjourned meeting shall be given to the Shareholders.

If an adjourned meeting of Shareholders cannot be organized due to a lack of Shareholders approval to adjourn the meeting, the Corporation shall not be required to hold an adjourned meeting, irrespective of the subject matter of the original meeting. Should a lack of quorum prevent new Directors from being elected, the Directors in office at the time of the original meeting shall hold office until a successor is elected at the next annual meeting of Shareholders or at a special meeting of Shareholders called for such purpose, in accordance with Section 6.3 of these Bylaws.

At an adjourned meeting, the Shareholders may transact any business which might have been transacted at the original meeting. No action by the Shareholders on any such matter shall be effective if the votes cast in favor are fewer than the minimum number of votes required by law or by the Governing Documents to approve such an action.

Section 6.8 – Approval Requirements under the Davis-Stirling Act.

If a provision of the Davis-Stirling Act or these Bylaws requires that an action be approved by a majority of all Shareholders, the action shall be approved or ratified by an affirmative vote of a majority of the votes entitled to be cast. If a provision of the Davis-Stirling Act or these Bylaws requires that an action be approved by a majority of a quorum of the Shareholders, the action shall be approved or ratified by an affirmative vote of a majority of the votes represented and voting in a duly held election in which a quorum is represented, which affirmative votes also constitute a majority of the required quorum.

ARTICLE VII

BOARD OF DIRECTORS

Section 7.1 – Nomination.

(a) Shareholders may nominate themselves for election to the Board. Nominations shall be made at a time so as to permit the Mutual to give notice of the list of candidates to the Shareholders as required by law. Nominations from the floor and/or write-in candidates shall not be permitted.

(b) The Mutual may disqualify a person from nomination as a candidate who does not meet the qualifications for serving on the Board at the time of nomination.

Section 7.2 – Number and Qualifications.

(a) The property, business and affairs of the Mutual shall be governed and managed by a Board of Directors composed of nine (9) persons.

(b) Each Director must at all times: (i) be a Shareholder of the Mutual; (ii) not be delinquent in the payment of any Regular or Special Assessments; and (iii) not have a past criminal conviction that would either prevent the Mutual from purchasing the fidelity bond coverage required by Civil Code Section 5806 or

terminate the Mutual's existing fidelity bond coverage. Notwithstanding the foregoing, a Director shall not be disqualified for failure to be current in payment of Regular or Special Assessments if the Director has paid the Assessments under protest pursuant to Civil Code Section 5658, or if the person has entered into a payment plan for repayment of the Assessments.

(c) Notwithstanding the provisions of subsection (b) of this Section 7.2, if title to a Unit is held by a legal entity that is not a natural person, the governing authority of that legal entity shall have the power to appoint a natural person to be a Shareholder for purposes of running for a serving on the Board.

(1) In order for such entity to be eligible to designate a natural person to be a Shareholder to serve on the Board, the entity must at all times not be delinquent in the payment of any Regular or Special Assessments. Notwithstanding the foregoing, the entity who has designated a natural person to be a Shareholder can elect to engage in internal dispute resolution prior to being disqualified for failing to meet the foregoing qualifications.

(d) In addition to the qualifications set forth in subsections (b) and (c) of this Section 7.2, no candidate or Director shall: (i) have a joint ownership interest in (either directly or indirectly), the same Unit as another properly nominated candidate or incumbent Director.

(e) If any Shareholder seeks to be a candidate for election to the Board, or serve on the Board, but does not meet the foregoing qualifications, the Shareholder (or, in the case of a Shareholder who is not a natural person, the Shareholder whom such person represents) can elect to engage in internal dispute resolution prior to being disqualified for failing to meet the foregoing qualifications.

Section 7.3 – Election and Term of Office.

At each annual meeting of the Shareholders, new Directors shall be elected by Secret Ballot by the Shareholders. All positions on the Board of Directors shall be filled at the annual meeting. If an annual meeting is not held, or if the Board is not elected at the annual meeting, the Board may be elected at any special meeting of the Shareholders for that purpose.

The term of office of each Director shall be one (1) year. Notwithstanding this term of office, each Director shall hold office until (i) the expiration of the term for which the Director has been elected; and (ii) a successor to the Director has been elected, subject to the Director vacancy and removal provisions of Sections 7.4 and 7.5 of these Bylaws; the foregoing provisions shall automatically apply to each Director. Any person serving as a Director may be reelected, and there shall be no limitation on the number of terms which a Director may serve.

Section 7.4 – Vacancies.

A Director may resign at any time by giving written notice to the President or the Secretary of the Mutual, or the Board, and that Director's position will be deemed vacant as of the effective resignation date contained in such notice. The Board may declare vacant the seat of any Director who ceases to meet the qualifications for a Director set forth in Section 7.2 of these Bylaws, or qualifications that were otherwise in effect at the beginning of the Director's then current term of office. A vacancy in a Director's office shall also be deemed to exist in the event of a Director's death or removal, or in the event the Shareholders fail to elect the full number of authorized Directors to fill open seats at any meeting at which such election is to take place.

Section 7.5 – Removal of Directors.

At a meeting of the Shareholders, any one (1) individual Director (subject to the provisions of this Section 7.5, below) or the entire Board may be removed prior to the expiration of their terms of office with or without cause by the affirmative vote of Shareholders representing a majority of the voting power of the Mutual. At a meeting of the Shareholders, any one (1) individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause by the affirmative vote of a majority of the voting power represented at the meeting, entitled to vote, and voting in an election to remove such Director or Directors. Unless the entire Board of Directors is removed from office, no Director who was elected by cumulative voting may be removed when the votes cast against removal, or not consenting in writing to the removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast (or, if the action is taken by written ballot, all shares entitled to vote were voted) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected.

Section 7.6 – Filling Vacancies.

Vacancies on the Board caused by any reason, including the removal of one (1) individual Director by a vote of the Shareholders of the Mutual, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Any vacancy on the Board not filled by the Directors may be filled by vote of the Shareholders at the next annual meeting of the Shareholders, or at a special meeting of the Shareholders called for such purpose. Vacancies caused by the removal of the entire Board by the Shareholders shall be filled by the vote of the Shareholders. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death, or removal of the Director's predecessor shall be the balance of the unserved term of such Director's predecessor.

Section 7.7 – Compensation of Directors.

Directors shall not receive any salary or compensation for their services as Directors; provided, however: (i) nothing contained in these Bylaws shall be construed to preclude any Director, upon unanimous resolution of the Board, from serving the Mutual in some other capacity and receiving compensation for same; and (ii) any Director may be reimbursed for actual expenses incurred in the performance of such Director's duties.

ARTICLE VIII

MEETINGS OF THE BOARD OF DIRECTORS

Section 8.1 – General Board Meeting Requirements.

(a) The Board shall not take action on any item of business outside of a Board meeting. The term "item of business" when used in these Bylaws shall mean any action within the authority of the Board, except those actions that the Board has validly delegated to any other Person or Persons, managing agent, officer of the Mutual, or committee of the Board comprising less than a quorum of the Board, unless the context clearly indicates otherwise. A Board "meeting" means either of the following: (i) a congregation, at the same time and place, of a sufficient number of Directors to establish a quorum of the Board, to hear, discuss, or deliberate upon any item of business that is within the authority of the Board; or (ii) a teleconference, where a sufficient number of Directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video, or both.

(b) A teleconference meeting of the Board shall be conducted in a manner that protects the rights of Shareholders of the Mutual and otherwise complies with the requirements of the Davis-Stirling Act. Except for a Board meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one (1) physical location so that Shareholders may attend, and at least one (1) Director or another person designated by the Board shall be present at that location. Participation by Directors in a teleconference meeting constitutes presence at that meeting as long as all Directors participating are able to hear one another, as well as Shareholders of the Mutual speaking on matters before the Board.

(c) Any Shareholders may attend Board meetings, except when the Board adjourns to, or meets solely in, executive session. As specified in this Section 8.1, a Shareholders of the Mutual shall be entitled to attend a teleconference meeting or the portion of a teleconference meeting that is open to Shareholders, and that meeting or portion of the meeting shall be audible to the Shareholders in a location specified in the notice of the meeting. The Board shall permit any Shareholders to speak at any meeting of the Mutual or the Board, except for meetings of the Board held in executive session; a reasonable time limit for all Shareholders of the Mutual to speak to the Board at a Board meeting, or before a meeting of the Mutual, shall be established by the Board.

(d) Notwithstanding Section 307 of the Corporations Code, the Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, with the exception that electronic transmissions may be used as a method of conducting an emergency Board 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 meeting. These written consents may be transmitted electronically.

(e) Except as allowed by the Davis-Stirling Act, the Board may not discuss or take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice that was distributed for the meeting.

(f) Notwithstanding anything to the contrary contained in these Bylaws, should the Davis-Stirling Act permit the Board to hear, discuss, or deliberate upon any item of business outside of a meeting, the Board shall be empowered to take

such action without a meeting pursuant to the applicable provisions of the Davis-Stirling Act.

Section 8.2 – Regular Meetings of Board.

Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings shall be held no less than once every two months. General Notice of the time and place of regular meetings of the Board shall be given to the Shareholders at least four (4) days prior to the date set for such meeting, and the notice shall contain the agenda for the meeting.

Section 8.3 – Special Meetings of Board.

Special meetings of the Board may be called by the President of the Mutual, or by any two (2) Directors other than the President, upon four (4) days' notice to each Director 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, facsimile transmission, electronic mail, or other electronic means, to the extent a Director has provided authority to the Mutual's Board to utilize electronic means for notice purposes. General Notice of the time and place of special meetings of the Board shall be given to the Shareholders at least four (4) days prior to the date set for such meeting, and the notice shall contain the agenda for the meeting.

Section 8.4 – Executive Session Meetings of Board.

Executive session meetings of the Board shall be conducted pursuant to Civil Code Section 4935, or any similar superseding statute. Any matter discussed in executive session is confidential in nature and cannot be disclosed by a Director to any Shareholders or other persons who are not Directors; provided, however, executive session matters can be discussed by an individual Director with outside attorneys, accountants, contractors, and other professional consultants and experts advising the Board, if approved in advance by the Board.

Section 8.5 – Emergency Meetings of Board.

Emergency Board meetings shall be conducted pursuant to Civil Code Section 4923, or any similar superseding statute. If a Board meeting is an emergency meeting, the Mutual is not required to give notice of the time and place of the meeting.

Section 8.6 – Waiver of Notice.

Notice of a meeting need not be given to a Director who provides a waiver of notice pursuant to Corporations Code Section 307(a)(3), or any similar superseding statute.

Section 8.7 – Quorum and Adjournment.

Except as otherwise expressly provided herein, a quorum of the Board and the process of adjournment of a Board meeting shall be governed by Corporations Code Section 307, or any similar superseding statute. Each Director present and voting at a meeting of the Board shall have one (1) vote on each matter presented to the Board for action at that meeting. No Director may vote at any meeting of the Board by proxy.

Section 8.8 – Board Meeting Minutes.

The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any Board meeting, other than an executive session, shall be available to Shareholders within thirty (30) days of the meeting. The Annual Policy Statement shall inform the Shareholders of their right to obtain copies of Board meeting minutes and of how and where to do so.

ARTICLE IX

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 9.1 – Powers and Duties.

The Board of Directors has the powers and duties necessary for the administration of the business and affairs of the Mutual, and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done exclusively by the Shareholders. The powers and duties of the Board shall include, but not be limited to, the following:

(a) The power and duty to select, appoint, supervise, and remove all officers, agents, and employees of the Mutual, to prescribe such powers and duties for them as may be consistent with law and the Governing Documents and to fix their compensation.

(b) The power and duty to conduct, manage and control the affairs and business of the Mutual, and to make such Rules and Regulations for the same, consistent with law, and as the Board may deem necessary or advisable.

(c) The power but not the duty to change the principal office for the transaction of the business of the Mutual from one location to another within the County, and to designate any place within the County for the holding of any annual or special meeting or meetings of Shareholders consistent with the provisions of these Bylaws.

(d) The power but not the duty to borrow money as may be needed in connection with the discharge by the Mutual of its powers and duties, and the power but not the duty to cause to be executed and delivered, in the Mutual's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities for the same, subject to any restrictions set forth in the Articles.

(e) The power and duty to fix and levy Assessments sufficient for the Mutual to perform its obligations under the Governing Documents and the Davis-Stirling Act, and to enforce collection thereof in accordance with the Governing Documents and the Davis-Stirling Act.

(f) The power and duty to enforce the provisions of the Governing Documents, as well as any agreements and contracts of the Mutual.

(g) The power and duty to contract for and pay for insurance for the Mutual and review, not less frequently than annually, all insurance policies and bonds obtained by the Board on behalf of the Mutual.

(h) The power and duty to contract and pay for: (i) maintenance, repair, and replacement of improvements in the common area, including but not limited to common area building components, landscaping, and utility facilities; (ii) materials, supplies, and services relating to the common area, including, but not limited to utility services for common area facilities; (iii) materials, supplies, and services relating to the Units, as may be applicable and subject to any limitations set forth in the Governing Documents; and (iv) employment of personnel as necessary to provide for proper operation of the Property.

(i) The power but not the duty to delegate its powers according to law, and, subject to the approval of the Shareholders, to adopt bylaws.

(j) The power but not the duty to grant or quitclaim easements, licenses, or rights of way in, on, or over the common area for purposes not inconsistent with the intended use of the Community.

(k) The power but not the duty to employ a manager, managing agent, or management company, and/or contract with independent contractors and other persons, to perform all or any part of the duties and responsibilities of the Board under the Governing Documents and at law, except for the responsibility to hold hearings, cause legal actions to be filed and perform other duties of the Board that are not delegable under law or the Governing Documents. Notwithstanding the foregoing, and subject to the provisions of Section 9.6 of these Bylaws, the Board shall endeavor to negotiate the following provisions in any contract entered into by the Mutual: (i) the contract shall not exceed a one (1) year term; (ii) the Mutual shall have the right to terminate the contract without cause upon ninety (90) days advance notice, without being required to pay any cancellation penalty; and (iii) the Mutual shall have the right to terminate the contract for cause on thirty (30) days written notice or less, without being required to pay any cancellation penalty.

(l) The power but not the duty to designate such advisory and other committees as the Board shall desire, and to establish the purposes and powers of each such committee created, consistent with the provisions of Article X of these Bylaws.

(m) The power but not the duty to authorize the Mutual to pay a judgment or fine levied against the Mutual or any present or former Director, officer, employee, or agent of the Mutual.

(n) The power and duty to authorize the Mutual to pay expenses and obligations incurred by the Mutual in the conduct of its business, including without limitation all licenses, taxes, and governmental charges levied or imposed against the Property.

(o) The power and duty to cause to be kept: (i) a complete record of all Board acts and Mutual business; (ii) adequate and correct books and records of Mutual accounts and Assessments; (iii) minutes of the proceedings of committees (to the extent such committees prepare minutes, and as required by state statute); (iv) a record of Shareholders names and mailing addresses; and (v) a record of all

leased or rented Units and the tenants/lessees under such lease or rental agreement.

(p) The power and duty to discharge by payment, if necessary, any lien against the common area and assess the cost of such lien to the Shareholders or Shareholders responsible for the existence of the lien (after notice and hearing as required by the Governing Documents and the Davis-Stirling Act).

(q) The power but not the duty to employ and engage consultants and experts, including, without limitation legal and accounting service providers, to advise the Board regarding its powers and duties described in the Governing Documents and other Mutual matters as the Board may determine to be necessary.

(r) The power and duty to file any statements and forms required by the Secretary of State and/or the Franchise Tax Board of the State of California with respect to the Mutual and its business activities.

(s) The power and duty, at least once every three (3) years, to cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the Mutual is obligated to repair, replace, restore, or maintain as part of a study of the Reserve Account Requirements of the Community, if the current replacement value of the major components is equal to or greater than one-half (1/2) of the gross budget of the Mutual, excluding the Mutual's Reserve Account for that period. The reserve study and resulting reserve funding plan shall include, at a minimum, that information required by the Davis-Stirling Act, be prepared on such form(s) as may be required by the Davis-Stirling Act, and be adopted by the Board in accordance with the requirements of the Davis-Stirling Act.

(t) The power but not the duty to coordinate and facilitate a merger with other Mutual(s).

(u) The power but not the duty to grant a revocable license to a Shareholder for the encroachment over and upon Mutual property to exclusively use a portion of the Common Area of the Mutual adjacent to such Shareholder's Unit for the purpose of constructing a patio, garden and/or golf cart pad subject to

the Rules and Regulations and execution of an indemnity, maintenance, insurance and use agreement in a format approved by the Board.

Section 9.2 – Assessments.

(a) Establishment and Imposition of Assessments. The Mutual's right to establish and impose Assessments shall be governed by California Civil Code Section 5600, or any similar superseding statute.

(b) Regular Assessments. Regular Assessments are to be levied and collected for: (i) the actual and estimated costs of, and reserves for, maintaining, managing, and operating the Common Area; (ii) the costs and fees attributable to managing and administering the Corporation; and (iii) all other costs and expenses incurred by the Corporation for the common benefit of the Community and the Shareholders, as may be required or allowed under the Governing Documents or law. Regular Assessments shall be estimated on an annual basis by the Board and documented in the Annual Budget Report for each fiscal year of the Corporation. Each Shareholder shall pay Regular Assessments for the Shareholder's Unit to the Corporation in equal monthly installments on or before the first (1st) day of each calendar month, unless the Board adopts an alternative method for payment, regardless of whether any monthly invoice, statement, or notice of the Regular Assessment is provided to the Shareholder. Annual Regular Assessments for fractions of any month shall be prorated on the basis of a thirty (30) day month. Annual increases in Regular Assessments for any fiscal year shall not be imposed unless the Board has complied with the requirements of the Davis-Stirling Act regarding the distribution of the Annual Budget Report with respect to that fiscal year, or has obtained the approval of a majority of a quorum of the Shareholders at a Shareholders meeting or election to increase Regular Assessments. The failure of the Board to fix Regular Assessments prior to the commencement of any fiscal year shall not be deemed a waiver or modification of any provision of the Governing Documents or a release of any Shareholder from the obligation to pay Regular Assessments, and the Regular Assessments for such fiscal year shall continue in the same amount and at the same rate as in the immediately previous fiscal year.

(c) Special Assessments. If the Board determines that the amount to be collected from Regular Assessments for a fiscal year will, for any reason, be inadequate to defray the Corporation's common expenses for such fiscal year, the Board shall levy a Special Assessment for the additional amount needed to

supplement the Regular Assessments, subject to any limitations imposed by the Governing Documents or the Davis-Stirling Act.

(d) Limitation on Assessment Increases. The Board may impose an annual increase in Regular Assessments or impose Special Assessments in compliance with Civil Code Section 5605, or any similar superseding statute. The Board may impose Emergency Assessments in compliance with Civil Code Section 5610, or any similar superseding statute.

(e) Reimbursement Assessments. The Corporation may levy a Reimbursement Assessment against an individual Shareholder as a means of reimbursing the Corporation for costs incurred by the Corporation: (i) in the repair of damage to Common Area caused by the Shareholder, Qualifying Resident, Co-Occupant or an Invitee of either; (ii) on behalf of and for the benefit of the Shareholder, whether with the Shareholder's consent or pursuant to the Corporation's powers under the Governing Documents or law, including, without limitation, the performance of maintenance or repairs to the Shareholder's Unit components for which the Shareholder is responsible; and/or (iii) due to the negligence, willful acts, or omissions of the Shareholder, Qualifying Resident, Co-Occupant, or an Invitee of either, including, without limitation, an increase in the insurance premiums for any insurance policy purchased or obtained by the Corporation for the benefit of the Community and the Shareholders. Prior to levying a Reimbursement Assessment against a Shareholder, the Board shall notify the Shareholder in writing of the Board's intent to meet to consider or impose the Reimbursement Assessment, by either personal delivery or Individual Delivery at least ten (10) days prior to the meeting. The notification shall contain, at a minimum, the date, time and place of the meeting, the nature of the costs incurred by the Corporation for which the Reimbursement Assessment may be imposed against the Shareholder, and a statement that the Shareholder has a right to attend and may address the Board at the meeting. The Board shall meet in executive session to consider or impose the Reimbursement Assessment, unless the Shareholder requests that the Board meet in open session. The decision of the Board to impose a Reimbursement Assessment shall be final and binding on the Shareholder. If the Board determines to impose a Reimbursement Assessment against a Shareholder, the Board shall provide the Shareholder a written notification of the decision, by either personal delivery or Individual Delivery, within fifteen (15) days following the action. Reimbursement Assessments shall be due and payable thirty (30) days from

the date Individual Notice of the Reimbursement Assessment is given by the Board to the Shareholder.

(f) Payment Plans for Delinquent Assessments.

- (i) A Shareholder may submit a written request to meet with the Board to discuss a payment plan for the debt noticed pursuant to the Davis-Stirling Act. The Corporation shall provide the Shareholder the standards for payment plans, if any exists.
- (ii) The Board shall meet with the Shareholder in executive session within forty-five (45) days of the postmark of the request, if the request is mailed within fifteen (15) days of the date of the postmark of the notice, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one (1) or more Directors to meet with the Shareholder.
- (iii) Payment plans may incorporate any Assessments that accrue during the payment plan period. Additional late fees shall not accrue during the payment plan period if the Shareholder is in compliance with the terms of the payment plan.
- (iv) Payment plans shall not impede a Corporation's ability to record a lien on the Shareholder's Unit to secure payment of delinquent Assessments.
- (v) In the event of a default on any payment plan, the Corporation may resume its efforts to collect the delinquent Assessments from the time prior to entering into the payment plan.

Section 9.3 – Selected Financial Review Duties.

In addition to those powers and duties set forth in Section 9.1 of these Bylaws, and any other powers and duties of the Board provided by law or the Governing Documents, the Board of Directors has the specific following powers and duties related to the review of the Mutual's financial records:

(a) The power and duty to review finances on at least a monthly basis, in accordance with Civil Code Section 5500, or any similar superseding statute.

(b) The power and duty to review the study of the reserve account requirements of the Community, in accordance with Civil Code Section 5550, or any similar superseding statute.

(c) The power and duty to cause a review of the financial statement of the Mutual, in accordance with Civil Code Section 5305, or any similar superseding statute.

Section 9.4 – Annual Budget Report.

The Mutual, through the Board, shall distribute to all Shareholders an Annual Budget Report thirty (30) to ninety (90) days before the end of each fiscal year. The Annual Budget Report shall include the information required in accordance with Civil Code Section 5300, or any similar superseding statute and shall be distributed to the Shareholders by Individual Delivery.

Section 9.5 – Annual Policy Statement.

Within thirty (30) to ninety (90) days before the end of each fiscal year, the Board shall distribute an Annual Policy Statement that provides the Shareholders with information about Mutual policies, in accordance with Civil Code Section 5310, or any similar superseding statute. The Annual Policy Statement shall be delivered to Shareholders by Individual Delivery.

Section 9.6 – Prohibited Acts.

The Board of Directors shall not take any of the following actions, except with the vote or written consent of a majority of the total voting power of the Mutual:

(a) Entering into a contract with a third party wherein the third party will furnish goods or services for the common area or the Mutual for a term longer than one (1) year, subject to the provisions of subsection (k) of Section 9.1 of these Bylaws, with the following exceptions:

(i) 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.

- (ii) Prepaid casualty and/or liability insurance policies not to exceed three (3) years' duration, provided that the policy permits short rate cancellation by the insured.
- (iii) Lease agreements for laundry room fixtures and equipment not to exceed five (5) years' duration.
- (iv) Agreements for cable television, satellite television, and Internet services and equipment, on a "bulk" or "non-bulk" basis, not to exceed five (5) years' duration.
- (v) A contract for repairs of major damage or destruction to the common area which can reasonably be completed within two (2) years from commencement, subject to any Shareholders approval requirements for the cost of the repairs under the Governing Documents.

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

ARTICLE X OFFICERS

Section 10.1 – Designation.

The principal officers of the Mutual shall be designated pursuant to the requirements of Corporation Code Section 312. The Board of Directors may appoint a second vice president, an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary, who must also be Directors. Except for the President, any Director may hold more than one office. Any Director who does not hold an officer position shall be deemed to be a "Director at large" of the Board.

Section 10.2 – Election of Officers.

The officers of the Mutual shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors, which shall be held immediately after each annual meeting or as soon thereafter as may be reasonably practical. Each officer shall hold office at the pleasure of the Board of Directors until such officer shall resign, be removed or otherwise be disqualified to serve.

Section 10.3 – Removal of Officers.

Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed, either with or without cause. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Mutual. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; unless otherwise specified in the resignation notice, acceptance of such resignation by the Board shall not be necessary to make the resignation effective.

Section 10.4 – Filling of Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by the Board at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose. The period of time for any office filled in this manner shall be for the unexpired term of the officer replaced.

Section 10.5 – Compensation of Officers.

No officer shall receive any compensation for services performed in the conduct of the Mutual's business, provided that: (i) nothing herein contained shall be construed to preclude any officer from serving the Mutual in some other capacity and receiving compensation for same; and (ii) any officer may be reimbursed for the officer's actual expenses incurred in the performance of such officer's duties.

Section 10.6 – President.

The President shall preside at all meetings of the Mutual and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the President of a California corporation. The President shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the day-to-day business of the Mutual. The President shall

be an *ex officio* member of all standing committees and shall have such other powers and duties as may be prescribed by the Board or the Governing Documents.

Section 10.7 – Vice President.

In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all 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 Governing Documents.

Section 10.8 – Secretary.

The Secretary, or the Secretary's designee, shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Shareholders, at the principal office of the Mutual or at such other place as the Board may order. The Secretary, or the Secretary's designee, shall have charge of such books and papers as the Board may direct, and the Secretary shall, in general, perform all of the duties incident to the office of Secretary of a California corporation. The Secretary, or the Secretary's designee, shall give, or cause to be given, notices of meetings of the Shareholders of the Mutual and of the Board, as required by these Bylaws and the Davis-Stirling Act. The Secretary, or the Secretary's designee, shall maintain a record book of current Shareholders, listing the names, mailing addresses, telephone numbers and other contact information of Shareholders, as furnished to the Mutual. The Secretary shall have such other powers and duties as from time to time may be prescribed by the Board or the Governing Documents.

Section 10.9 – Chief Financial Officer.

The Treasurer shall be the chief financial officer of the Mutual, and shall have responsibility for Mutual funds and securities and for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Mutual, including accounts of all assets, liabilities, receipts, and disbursements, in books belonging to the Mutual. The Treasurer, or the Treasurer's designee, shall be responsible for the deposit of all and other valuable effects in the name, and to the credit, of the Mutual moneys in such depositories as may from time to time be designated by the Board. The Treasurer, or the Treasurer's designee, shall disburse the funds of the Mutual as directed by the Board of Directors, in accordance with the Governing Documents and the law, and render to the President and Directors, upon request, an account of all of such Treasurer's transactions as Treasurer and of

the financial conditions of the Mutual. The Treasurer shall have such other powers and perform such other duties as may be prescribed by the Board or the Governing Documents.

ARTICLE XI COMMITTEES

Section 11.1 – Committees of the Board.

(a) The Board may, by resolution adopted by a majority of the authorized number of Directors, provided that a quorum is present, create one or more committees of the Board (each, an “Executive Committee”), in accordance with Corporation Code Section 311, or any similar superseding statute.

(b) An Executive Committee shall not include as members persons who are not Directors.

(c) The purpose, scope of authority and procedures of operation for each Executive Committee shall be determined by the Board in the resolution creating the Executive Committee, consistent with Corporations Code Section 311.

(d) Unless otherwise expressly provided in the Board resolution authorizing and empowering an Executive Committee, all corporate powers exercised by an Executive Committee shall be exercised under the ultimate direction of the Board.

Section 11.2 – Advisory Panels.

(a) The Board may, by resolution adopted by a majority of the number of Directors then in office, provided that a quorum is present, create one or more advisory panels that do not exercise the authority of the Board (each, an “Advisory Panel”), each consisting of Shareholders of the Mutual or Directors, or both, to serve at the pleasure of the Board. Appointments to Advisory Panels shall be by a majority vote of the Directors then in office. The Board may appoint one (1) or more persons as alternate members of such panel, who may replace any absent members at any meeting of the panel.

(b) Subject to the Governing Documents, Advisory Panels shall not have any authority of the Board, but shall serve in an advisory capacity to the Board on such matters as shall be delegated to the panel by the Board.

(c) Each Advisory Panel shall have a chairperson to preside over the committee meetings. Regular meetings of Advisory Panels may be determined either by resolution of the Board or by resolution of the panel; special meetings of Advisory Panels may also be called by resolution of the Board or by the chairperson of the panel.

(d) The Board of Directors may adopt Rules not inconsistent with the provisions of these Bylaws for the governance of any Advisory Panel.

ARTICLE XII MUTUAL RECORDS

Section 12.1 – Records Inspection.

The Mutual shall make available Mutual records for inspection and copying by a Shareholder of the Mutual, or the Shareholder's designated representative, as required by Civil Code Section 5200, et seq., or any similar superseding statute, or by the Corporations Code.

Section 12.2 – Shareholder List.

A Shareholder may request the Mutual's shareholder list, in compliance with Civil Code Section 5225, or any similar superseding statute.

Section 12.3 – Use of Mutual Records.

(a) The Mutual Records, and any information from them, may not be sold, used for a commercial purpose, or used for any other purpose not reasonably related to a Shareholder's interest as a Shareholder. The Mutual may bring an action against any Person who violates this provision for injunctive relief and for actual damages to the Mutual caused by the violation.

(b) Nothing contained in this Article XIII is to be construed to limit the right of the Mutual to damages for misuse of information obtained from the Mutual Records, or to limit the right of the Mutual to injunctive relief to stop the misuse of this information.

(c) The Mutual shall be entitled to recover reasonable costs and expenses, including reasonable attorney's fees, in a successful action to enforce its rights under this Section 13.3.

ARTICLE XIII MISCELLANEOUS

Section 13.1 – Checks, Drafts and Documents.

All checks, drafts, orders for payment of money, notes, and other evidences of indebtedness issued in the name of or payable to the Mutual shall be signed or endorsed in the manner and by the person or persons as the Board shall determine by resolution, subject to the provisions of the Governing Documents and the Davis-Stirling Act.

Section 13.2 – Execution of Documents.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Mutual, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, Director, agent, committee Shareholders, or employee of the Mutual shall have any power or authority to bind the Mutual by any contract or engagement, or to pledge the Mutual's credit or to render it liable for any purpose or in any amount.

Section 13.3 – Operating Account.

There shall be established and maintained one (1) or more cash deposit accounts, each to be known as an "operating account", into which shall be deposited the operating portion of all Assessments, as fixed and determined for all Shareholders. Disbursements from the operating account shall be for the general need of the operation of the Mutual and the Community, including, but not limited to, wages, repairs, payment of vendors, betterments, maintenance, utilities, and other operating expenses of the Community, as may be applicable.

Section 13.4 – Reserve Funds.

The Board shall not expend funds designated as reserve funds in compliance with Civil Code Section 5510, or any similar superseding statute. Notwithstanding the foregoing, the Board may authorize the temporary transfer of moneys from a

reserve fund to the Mutual's general operating fund in compliance with Civil Code Section 5515, or any similar superseding statute.

Section 13.5 – Gifts.

The Board, in its sole discretion, may accept on behalf of the Mutual any contribution, gift, bequest, or devise for any general or special purpose of the Mutual.

Section 13.6 – Fiscal Year.

The fiscal year of the Mutual shall begin on the first day of January and end on the last day of December of every calendar year, but is subject to change from time to time as the Board of Directors shall determine by Board resolution.

Section 13.7 – Headings, Number and Gender.

The subject headings of the articles, sections, and subsections of these Bylaws are included for purposes of convenience and reference only, and shall not affect the construction or interpretation of any of the provisions of these Bylaws. In these Bylaws, where applicable, references to the singular shall include the plural and references to the plural shall include the singular. References to the male, female, or neuter gender in these Bylaws shall include reference to all other such genders where the context so requires.

ARTICLE XIV

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Secret Ballot vote of Shareholders representing at least a majority of the voting power of the Mutual; provided, however, that the specified percentage of Shareholders necessary to amend a specific provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that provision. Individual Notice of any amendment to these Bylaws shall be given to all Shareholders upon certification by the Secretary of the Mutual of such amendment.

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