

Sunterrace Homeowners Association, Inc.

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FIRST RESTATED BYLAWS
OF
SUNTERRACE HOMEOWNERS ASSOCIATION, INC.

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FIRST RESTATED BYLAWS
OF
SUNTERRACE HOMEOWNERS ASSOCIATION, INC.

ARTICLE 1

NAME AND LOCATION

Section 1.1. Name of Association. [Article I] The name of the Association is SUNTERRACE HOMEOWNERS ASSOCIATION, INC., a California nonprofit mutual benefit corporation (hereinafter referred to as the "Association"). The Association is organized under the California Nonprofit Mutual Benefit Corporation Law.

Section 1.2. Specific Purpose. The specific and primary purpose of this Association shall be to repair, maintain, and manage the Common Area and Common Facilities within that certain real estate common interest development located in the County of Riverside, State of California, and commonly referred to as Sunterrace, enforce the Governing Documents of the Association, and otherwise to enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 1.3. Principal Office. [Article I] The principal office for the transaction of the business of the Association is hereby fixed and located within the City of Palm Desert or at such other place within Riverside County as may be determined by the Board. The Board is hereby granted full power and authority to change said principal office from one location to another within the County of Riverside.

ARTICLE 2

DEFINITIONS

[Article II]

Section 2.1. County. The term "County" means the County of Riverside, State of California.

Section 2.2. Declaration. [Article II, Section 2.02] The "Declaration" means all restrictions, covenants, terms and conditions set forth in the First Restated Declaration of Covenants, Conditions and Restrictions ("CC&Rs") of SUNTERRACE HOMEOWNERS ASSOCIATION, INC., recorded in the Office of the County Recorder of Riverside County, California, as such Declaration may from time to time be amended, supplemented or modified by a subsequent Declaration or amendment thereto, recorded or to be recorded pursuant thereto, for the real property legally described in the Declaration.

Section 2.3. Election Rules. The "Election Rules" are the procedures adopted by the Board in conformance with *Civil Code* Section 1363.03.

Section 2.4. Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in Article 6, Section 6.4, below, or in any of the Association's Governing Documents where a different quorum requirement is specifically set forth.

Section 2.5. Office of the Recorder. The term "Office of the Recorder" means the Office of the Recorder, County of Riverside, State of California.

Section 2.6. Person. The term "Person" means and includes any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

Section 2.7. Voting Power. The term "Voting Power" means those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time any determination of voting power is made.

Section 2.8. Definitions Incorporated by Reference. [Article II, Section 2.01] The terms used in these Bylaws, unless the context clearly indicates a contrary intention, shall have the same meaning as those set forth in Article 1 of the Declaration which is incorporated by reference as part of these Bylaws.

ARTICLE 3

MEMBERSHIP

Section 3.1. Automatic Membership and Voting Power. [Article III, Section 3.01] Every person or entity who is an Owner of a Lot shall be a Member of SUNTERRACE HOMEOWNERS ASSOCIATION, INC. as provided in the Declaration. Membership shall be appurtenant to and may not be separated from ownership of any Lot which gives rise to such membership in the Association.

Section 3.2. Members' Voting Rights. Each Lot shall have one (1) vote on matters to be voted upon by the aggregate membership.

Section 3.3. Suspension of Member's Rights. The voting rights of any Member of the Association, may be suspended by the Board for any period of time during which such Member is determined by the Board to be delinquent in Assessments, in violation of the Governing Documents.

No suspension or monetary penalty shall be effective until the Board gives such Member notice and the opportunity of a hearing before the Board which satisfies the minimum requirements of Section 1363 (h) of the California *Civil Code* or successor statute. No suspension shall affect the rights of a Member to access his or her Lot.

Section 3.4. Multiple Ownership of Lots. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of those persons shall be deemed to be one Member for voting purposes, although all such Members shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. The

Secretary of the Association shall be notified in writing of the Member designated by his or her co-Owners as having a sole right to vote the membership on their behalf. If no such notification is received, the Secretary may accept the vote of any Member of record or proxy holder of such an Member as the vote attributable to the Lot in question, provided that if the multiple Owners of a Lot attempt to vote the membership attributable to said Lot in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to that Lot.

Section 3.5. Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under Section 3.1, above. Upon the sale, conveyance or other transfer of an owner's interest in a Lot, the owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new owner(s).

ARTICLE 4

MEMBERSHIP RIGHTS

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

Section 4.1. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas, roads, and Common Facilities within the Development.

Section 4.2. Tenants and Lessees.

(A) **Assignment of Rights Generally.** Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing in the Member's Residence. Such assignment shall be effective only so long as said tenant is residing in said Residence and is in compliance with the Governing Documents. At all times the Member shall remain responsible for compliance by Members, lessee or tenant with the provisions of the Governing Documents. Without limiting the foregoing, reference is specifically made to Article 8 of the Declaration for additional tenant and lease restrictions.

Section 4.3. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the Common Areas, Common Facilities and roads within the Development subject to the same obligations imposed upon the Member to observe the rules, restrictions, and regulations of the Association as set forth in the Governing Documents.

Section 4.4. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Governing Documents. The Board shall have the right to suspend the voting rights of a Member for the failure to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents, provided, however, that any such

suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in Article 3, Section 3.3 of these Bylaws, and Article 4, Section 4.2(H) of the Declaration.

ARTICLE 5

MEMBERSHIP VOTING

Section 5.1. Single Class of Membership. The Association shall have one class of voting membership.

Section 5.2. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one (1) vote for each Lot owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Article 3, Section 3.4 of these Bylaws.

Section 5.3. Eligibility to Vote. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all Assessments levied against the Member's Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Article 6, Section 6.10.

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

Section 5.4. Manner of Casting Votes.

(A) **Voting at Membership Meetings.** Voting at any membership meeting may be by voice, ballot, or proxy, provided that the voting in any election of directors shall be conducted by secret ballot.

(B) **Voting by Written Ballot.** In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue other than the election of Directors in accordance with Article 6, Section 6.7.

(C) **Proxy Voting.** Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Article 6, Section 6.8.

(D) **No Cumulative Voting.** [Article III, Section 3.11] There shall be no cumulative voting at any election.

(E) **Proxies Collected in Conjunction with Secret Ballot Elections.** In elections conducted pursuant to Section 5.5 of this Article concerning secret ballots, any instruction given in a proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be

set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the member's vote by secret ballot in accordance with the procedures set forth in Section 5.5 of this Article.

Section 5.5. Elections to be Conducted by Secret Ballot. [Article III, Section 3.11] Elections required by *Civil Code* Section 1363.03 to be conducted by secret ballot shall be held pursuant to the Election Rules adopted by the Board and the procedures set forth in *Civil Code* Section 1363.03.

Section 5.6. Majority Vote Required. [Article III, Section 3.11] If a quorum is present, the affirmative vote of the majority of the Members represented at the meeting, entitled to vote and voting on any matter (other than the election of Directors) shall be the act of the Members, unless the vote of a greater number is required by California law or by the Governing Documents. In the case of Director elections, the candidates receiving the highest number of votes up to the number of Directors to be elected, shall be elected to the vacant Director positions.

ARTICLE 6

MEETINGS OF MEMBERS

Section 6.1. Place of Meeting. [Article III, Section 3.02] All membership meetings shall be held on the Development or such other location in Riverside County, State of California, in reasonable proximity to the Development as may be designated in the notice of meeting.

Section 6.2. Annual Meetings of Members. [Article III, Section 3.03] The annual meeting of Members shall be held once a year or as determined by the Board of Directors on a date, time and place as determined by the Board.

(A) **Notice of Annual Meeting.** [Article III, Section 3.05] All notices shall be mailed not less than ten (10) days and not more than ninety (90) days before each annual meeting and shall specify the place, day and hour of such meeting and shall be mailed first class, registered or certified mail to each Owner of record. Upon written request by a first Mortgagee, written notice of each such annual meeting shall be given to said first Mortgagee. Notice may also be given by e-mail, facsimile or other electronic means if the recipient has agreed to that method of delivery and delivery is complete at the time of transmission.

Section 6.3. Special Meetings of Members. [Article III, Section 3.04] Special meetings of Members may be called at any time by the President or by a majority of a quorum of the Board, and shall be called by the Board upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) or more of the total voting power of the Members of the Association.

(A) **Procedures for Calling Special Meetings Requested by Members.** If a special meeting is called by Members other than the Board of Directors or President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, and Vice President, or the Secretary of the Association. The

Officer receiving the request shall, within twenty (20) days receiving the request, cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of this Section 3, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than thirty-five (35) days nor more than ninety (90) days following the receipt of the request.

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

(B) Notice of Special Meetings. Except as provided in Section 3(A) above with regard to special meetings requested by Members, notice of special meetings shall be given in the same manner as for annual meetings of Members. Notices of special meetings shall specify the place, day and hour of the meeting and the general nature of the business to be transacted. Notice may also be given by e-mail, facsimile or other electronic means if the recipient has agreed to that method of delivery and delivery is complete at the time of transmission.

Section 6.4. Quorum Requirements Generally. [Article III, Section 3.08] Except as set forth in Article 7, Section 7.5(B) of these Bylaws regarding removal of Directors, or otherwise specifically set forth in the Declaration, the following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot:

(A) The presence in person or by proxy of one-third (1/3) of the voting power entitled to vote at any meeting of Members shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment. Once a quorum is established, the meeting may proceed regardless of whether there is a withdrawal of voting power which leaves less than a full quorum.

(B) Reduced Quorum. In the event any meeting of Members cannot be held because a quorum is not present, either in person or by proxy, the meeting may be adjourned for a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the voting power of the membership.

(C) Meeting Conducted Under Reduced Quorum. Where a meeting is conducted with a quorum of twenty-five percent (25%) of the voting power of the membership, the only matters that may be voted upon are those matters included in the original meeting notice published prior to the adjourned meeting.

Section 6.5. Adjourned Meeting and Notice Thereof. [Article III, Section 3.09] Any membership meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power present, but, in the absence of a quorum, no other business may be transacted at any such meeting.

(A) Notice of Adjourned Meeting. When any membership meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original

meeting. If adjourned for less than thirty (30) days, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting other than by an announcement at the meeting at which adjournment is taken.

Section 6.6. Consent of Absentees. [Article III, Section 3.12] The transactions of any membership or Board meeting, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present, either in person or by proxy and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes. All such waivers, consents or approvals shall be filed in the corporate records or made a part of the minutes of the meeting.

Section 6.7. Action Without a Meeting. [Article III, Section 3.07]

(A) Any action which may be taken by the vote of Members at a regular or special meeting may be taken without a meeting if the Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association.

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

(C) All solicited ballots shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of Directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

(D) Unless otherwise provided in the Articles or these Bylaws, a written ballot may not be revoked.

Section 6.8. Proxies. [Article III, Section 3.10] Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Secretary of the Association. Any proxy shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(A) **Effectiveness of Proxies.** Every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant thereto, subject to the maximum term of a proxy set forth in the preceding paragraph of this Section 5. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by:

- (1) a written notice of revocation delivered to the Secretary;
- (2) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting; or
- (3) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy.

(B) The dates shown on the forms of proxy presumptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed. A proxy shall be deemed revoked when the Secretary shall receive actual notice of the death or judicially declared incompetency of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Lot.

(C) Validity of Proxies. Any proxy given with respect to any of the matters described herein shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (1) Removal of Directors without cause;
- (2) Filling of vacancies on the Board;
- (3) Approval of contracts or transactions between the Association and one or more of its directors, or between the Association and a corporation, firm or association in which one or more of its Directors has a material financial interest;
- (4) Amendment of the Governing Documents;
- (5) Action to change any Association Assessments in a manner requiring membership approval under the Declaration;
- (6) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets other than in the regular course of the Association's activities;
- (7) Merger of the Association or an amendment to an agreement of merger; and
- (8) Voluntary dissolution of the Association.

(D) Limited Proxies.

(1) Any form of proxy distributed to the Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited.

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

(3) In accordance with subparagraph (D)(1) and (2), above, proxies distributed in connection with the election of Directors shall set forth the names of all individuals who have been nominated for election to the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a Director. If any proxy issued in connection with the election of Directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(E) Proxy Rules for Memberships Held by More Than One Person. Where two (2) or more persons constitute a Member, any proxy with respect to the vote of such Member shall be signed by all such persons. All such persons may attend meetings, but no such proxy shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

(F) No Proxy In Connection With Written Ballots. Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Article 6, Section 6.7.

Section 6.9. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or the Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice was properly given shall be prima facie evidence that notice was given.

Section 6.10. Record Dates for Member Notice; Voting and Giving Consents. [Article III, Section 3.13] For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take any action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Non-Profit Mutual Benefit Corporation Law.

ARTICLE 7

BOARD OF DIRECTORS

Section 7.1. Number and Qualifications of Directors. [Article VI, Section 6.01] The Board shall consist of five (5) Directors until changed by amendment to this Section of these Bylaws.

(A) Directors must be Members of the Association.

(B) Directors must be Owners of Lots whose Memberships are in good standing with all Assessments current and are not subject to any suspension of membership rights.

(C) Only one Owner per Lot shall be eligible to serve on the Board at any time.

Section 7.2. Election and Term of Office. [Article VI, Section 6.01] The terms of directors shall be term-staggered. In order to preserve the benefits inherent in staggered terms, including promoting continuity of management and guaranteeing the involvement of experienced directors, in the event the staggered terms of directors gets off track, the Board may shorten a director's term in a reasonable manner at the next meeting to re-establish staggered terms.

(A) Each Director shall serve a two (2) year term. Appointed Directors shall serve the remaining term of a vacant position.

(B) If any annual meeting is not held or the Directors are not elected thereat, the Board shall arrange for a special meeting of Members held for the purpose of elections.

(C) All Directors shall hold office until their term expires or until their position is declared vacant.

(D) Election to the Board shall be by secret written ballot. At such election, the members, or their proxies, may cast, in respect to each vacancy, as many votes as they are entitled to cast under the provisions of the Declaration. The candidates receiving the highest number of votes shall be deemed elected.

Section 7.3. Nomination Procedures. [Article VI, Section 6.17] Nomination for election to the Board of Directors may be made by a Nominating Committee, personal declaration of candidacy or by the nomination of any other Member from the floor at each annual meeting.

(A) **Nominating Committee.** The Nominating Committee shall consist of three (3) persons. The Nominating Committee shall be made up of a chairman, who shall be a member of the Board, and two (2) other Members of the Association. The Nominating Committee may nominate any number of qualified individuals, but not less than the number of Directors to be elected. Nominations shall also be allowed from the floor at the meeting. The Nominating Committee shall make its report at least thirty (30) days before the date of elections and the Secretary shall forward to each Member with the notice of meeting required by Article 6 a list of the nominees.

(B) **Limitation of Candidacy.** No Member shall be nominated for election to the Board of Directors, nor permitted to run for election, if he or she is more than thirty (30) days past due in the payment of any Assessment. The failure to comply with this Section shall in no way invalidate the election of other candidates who were in compliance with this Section.

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

(D) Association funds shall not be used for campaign purposes in accordance with *Civil Code* Section 1363.04.

Section 7.4. Vacancies. [Article VI, Section 6.02] Vacancies on the Board created by absence, death or resignation may be filled by a majority of the remaining Directors, though less than a quorum, and each Director so elected shall hold office until his successor is elected at the end of the former Director's term or at a special meeting called for that purpose. The remaining Board of Directors shall cause notice to be posted in a prominent place in the Development at least seventy-two (72) hours prior to filling the vacancy advising the Members that a vacancy on the Board of Directors exists.

(A) **Excessive Absences.** A vacancy may be deemed to exist in the case of the absence of a Director from three (3) consecutive regular meetings, four (4) total meetings within a twelve (12) month period.

(B) **Board Members Delinquent In Assessments.** A vacancy shall be deemed to exist in the case of a Director whose Lot(s) is/are more than ninety (90) days delinquent in payment of their Assessment(s) obligations to the Association. Prior to declaring a vacancy of a Director, the remaining Board shall send a letter giving said Director fifteen (15) days to bring his or her account(s) current. This letter shall be sent both by certified and regular mail.

(C) **Membership's Right to Fill Vacancies not Filled by Board.** The Members may at any time call a meeting to elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment by these Bylaws is voted increasing the number of Directors.

(D) **Resignation.** Any Director may resign effective upon giving written notice to the President, the Secretary or the Board. In the event a Director gives any of the above-named parties verbal notice, the Board shall send the Director who gave verbal notice of resignation a letter, by certified and regular mail, stating that the Board is accepting the Director's verbal resignation fifteen (15) days after the date of the letter. The Board of Directors may elect a successor to take office when the resignation becomes effective.

Section 7.5. Removal of Directors. [Article VI, Section 6.03]

(A) **Authority of Board to Remove Directors.** The Board of Directors shall have the power and authority to remove a Director and declare his or her office vacant if he or she (1) has been declared of unsound mind by a final order of the court; (2) has been convicted of a felony; (3) has been found by a final order or judgment of any court to have breached the duty under *Corporations Code* Sections 7233-7236 (relating to standards of conduct of directors); or (4) fails to attend three (3) consecutive regular meetings or four (4) total meetings within a twelve (12) month period of the Board of Directors that have been duly noticed in accordance with California law.

(B) **Authority of Members to Remove Directors.** Except as otherwise provided in Section 6, Subparagraph (a), of this Article, any Director may be removed from the Board, with or without cause, by a majority of a quorum of the total voting power of the Association represented at a duly

held meeting in accordance with the provisions of the California *Corporations Code*. For purposes of this sub-section only, "Quorum" shall consist of a majority of the total voting power of the Association.

ARTICLE 8

POWERS AND DUTIES OF THE BOARD

Section 8.1. General Association Powers. [Article VI, Section 6.18] Subject to the provisions of the California Nonprofit Mutual Benefit Corporation law, the Davis-Stirling Common Interest Development Act (*Civil Code* Sections 1350 et. seq.), and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. Subject to the limitations expressed in this Article, the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that notwithstanding any such delegation, the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate discretion of the Board.

Section 8.2. Specific Powers. [Article VI, Section 6.18] The Board shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration of the Development subject only to such limitations on the exercise of such powers as are set forth in the Governing Documents.

The Board shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under the Governing Documents, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall have the power to and be responsible for, the following, in way of explanation, but not limitation:

(A) **Management of Business.** [Article VI, Section 6.18(c)(2)] To conduct, manage and control the affairs and business of the Association, and to make such Rules and Regulations consistent with California law and the Governing Documents as it deems best, including Rules and Regulations for the operation of the Common Area facilities owned or controlled by the Association.

The Board may appoint such agents and employ such other employees, including professional property management, attorneys and accountants, as it sees fit to assist in the operation of the Association and to fix their duties and to establish their compensation.

(B) **Commence Legal Action; Notice of Hearing.** To commence and maintain actions for damages and/or to restrain and enjoin any actual or threatened breach of any provision(s) of the Governing Documents or any decisions or resolutions of the Board by a Member and to enforce by injunction or otherwise all of these provisions. However, before a decision to take such action is

reached by the Board, the aggrieved Member shall be provided with notice and an opportunity to be heard by the Board.

(C) Suspension of Rights and Privileges. [Article VI, Section 6.18(c)(3)] To temporarily suspend a Member's voting rights and/or assess monetary penalties against any Member or other person entitled to exercise such rights or privileges for any violation of the Governing Documents. However, before a decision to impose such a suspension or monetary penalties is reached by the Board, the aggrieved Member shall be provided with ten (10) days notice and an opportunity to be heard by the Board, orally or in writing, in accordance with *Civil Code* Section 1363(h). If the Board decides to impose a penalty or suspension, written notice of the penalty or suspension shall be provided to the Member within fifteen (15) days after the date the hearing in accordance with California *Civil Code* Section 1363(h). For the purpose of this subsection, notice shall be given by any method reasonably calculated to provide actual notice.

(D) Delegation of Powers; Professional Management. [Article VI, Section 6.18(c)(4)] To delegate the management of the activities of the Association to any person or persons, management company or committee, however imposed, provided that the affairs of the Association shall be managed and all Association powers shall be exercised under the ultimate discretion of the Board.

(E) Association Rules. Subject to the procedures set forth in the Declaration and under California law, to adopt, amend and repeal as it deems reasonable, the Association's Rules and Regulations for the use of the Common Area by all Owners. However, the Association's Rules shall not be inconsistent with or materially alter any provisions of the Association's Governing Documents.

(1) In case of any conflict between any of the Association's Rules and any other provisions of the Governing Documents, the conflicting Association Rule shall be deemed to be superseded by the provisions of the Governing Documents.

(2) Any duly adopted amendment to the Association's Rules shall become effective seventy-two (72) hours after delivery of such amendment to the membership, or at such later date as the Board may deem appropriate. For the purpose of this Section, the placing of a copy of the amendment in a sealed envelope with postage fully paid and placed in the United States mail shall be deemed delivered.

(F) Right of Entry. For the purpose of maintaining the Common Area or for any other purpose reasonably related to the performance by the Board of its responsibilities under the Governing Documents, the Association's authorized officers, agents or employees shall have the right, after reasonable notice to Owner(s), to enter any Lot, or any portion of the Lot at reasonable hours and after reasonable notice to the Owner of the Lot.

In addition to, and not in limitation of all other rights, the Association may enter onto Lots but not into Residences for emergency, security, or safety purposes, which right may be exercised by the Association's Board of Directors, officers, agents, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties.

In an emergency situation, if practicable, prior to entering the Lot, a reasonable attempt will be made to notify the occupant and the Owner of the Lot of the Association's need and intent to enter the Lot.

In the event that the Owner of a Lot fails to maintain and repair any portion of the Lot as required by the Governing Documents, the Board shall have the right, after notice and hearing before the Board by the Owner regarding any allegation of failure to maintain or repair, to enter upon the subject Lot to undertake such maintenance or repair. Such persons shall not be deemed guilty of trespass by reason of any entry on any Lot pursuant to the provisions hereof. The cost of such maintenance or repair shall be specially assessed against the Owner in accordance with the Governing Documents.

(G) Enforcement of Governing Documents. To enforce the provisions of the Governing Documents and the provisions of any agreement to which the Association is a party. To prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area or the property owned by the Association, and any action in which all or substantially all of the Members have an interest.

(H) Selection of Officers. To select and remove all the Officers, agents and employees of the Association, prescribe such powers and duties for them as may be consistent with law and the Governing Documents.

(I) Location of Office and Membership Meetings. To change the principal office for the transaction of the business of the Association from one location to another within the same county and to designate any place within reasonable proximity to the Development, in the sole discretion of the Board, within the County of Riverside, State of California, for the holding of any membership meeting.

(J) Reconstruction. To contract for and pay for reconstruction of any portion(s) of the Development damaged or destroyed.

(K) Impose Fines. To impose a reasonable monetary fine(s) (after proper notice and opportunity to be heard have been given) if provided for in the Governing Documents, upon a Member for any breach of the Governing Documents;

Section 8.3. Duties of the Association. [Article VI, Section 6.18(d)] In addition to the powers delegated to it by its Articles or the Bylaws, and without limiting their generality, the Association, acting by and through the Board, has the obligation to conduct all business affairs of common interest for all Members and to perform each of the duties set forth below:

(A) Operation and Maintenance of Common Area. To manage, operate, maintain, and repair the Common Area and any facilities, improvements, and landscaping located thereon, and the restoration and replacement of any or all of the structures or improvements which are part of the Common Area, in a first-class condition and in a good state of repair as may be determined by the Board. In connection with this duty, the Board shall contract for and purchase tools, equipment, materials, supplies and other personal property and services for the maintenance and repair of the Common Area and Improvements to the Development.

(B) Taxes and Assessments. To pay all real and personal property taxes and assessments and all other taxes levied against the Association. Such taxes and assessments may be contested or compromised by the Association; provided, however, that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

(C) Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the Common Area.

(D) Insurance. To contract and pay for fire, casualty, liability, fidelity and other insurance adequately insuring the Association and Owners with respect to the Common Area and the affairs of the Association. Owners shall be obligated to obtain and maintain adequate insurance for their personal property and maintenance items which are the Owner's responsibility.

(E) Assessments. To establish, fix, and levy Assessments against the Owners and to enforce payment of such Assessments, in accordance with the provisions of the Governing Documents.

(F) Budget and Financial Statements Preparation of budgets and financial statements for the Association as provided in these Bylaws.

(G) Bank Accounts. To maintain bank account(s) for funds coming under the control of the Association.

(H) Availability of Documents. To make available to, and reproduce upon the written request of, any Member, any first Mortgagee, and the holders, insurers and guarantors of a first Mortgage encumbering any Lot, current copies of the Association's Governing Documents, and other books, records and financial statements of the Association. The Board can establish reasonable procedures to facilitate inspection of these records, including providing for reasonable fees to produce the same.

(I) Distribute Documents and Perform Other Duties. To prepare and distribute to the Members documents required pursuant to California *Civil Code* Sections 1365, 1365.1, 1365.2.5, and/or any successor statutes and to perform other duties as required by California *Civil Code* Section 1365.5 and/or any successor statutes.

Section 8.4. Limitations on Authority of the Board. The Board shall not take any of the actions listed below except with the vote or written consent of a majority of the total voting power of the Association:

(A) Borrowing Money. Borrow money and incur indebtedness for the purposes of the Association, except the Board shall not borrow money during any fiscal year in excess of the aggregate sum of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(B) Capital Expenditures. Make capital expenditures for and on behalf of the Association. No single capital expenditure may be made during any fiscal year of the Association in excess of or having a fair market value in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(C) Limitation on Sales of Common Area. Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(D) Limitation on Compensation. Neither the Directors nor the Officers of the Association shall receive any monetary compensation for their services performed in the conduct of the business of the Association. Notwithstanding the foregoing, the Board of Directors shall have the power to reimburse any Director, Officer or Member of the Association for expenses incurred in carrying on the business of the Association.

(E) Limit on Third Person Contracts. The Board shall not, without obtaining the consent of the Members as set forth above, enter into a contract with third persons wherein the third person will furnish goods or services for the Common Area of the Association for a term longer than one (1) year with the following exceptions:

(1) 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;

(2) Payment of any taxes and governmental special assessments which are and could become a lien on the Common Area or any portion thereto;

(3) Agreements for Cable Television services and equipment or satellite dish television services and equipment not to exceed five (5) years duration;

(4) Management contract, the terms of which have been approved by the FHA or VA, if applicable. Notwithstanding the foregoing, The Board shall not have the power to approve or authorize any contract for the professional management of the Development which (1) does not permit the Association to terminate (a) for cause on thirty (30) days' written notice and (b) without cause, or payment of a termination fee, on ninety (90) days' or less written notice and/or (2) has a term greater than three (3) years;

(5) Prepaid casualty and/or liability insurance policy which does not exceed three (3) years' duration provided that such policy permits for short rate cancellation by the insured; and

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five year's duration.

(F) Granting Licenses/Easements. Grant licenses or easements to Owners with a value of more than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. For purposes of *Civil Code* Section 1363.07, the affirmative vote of zero percent (0%) of the Owners

is required for the Board to grant exclusive use of any portion of the Common Area to any Owner if the value of said portion of the Common Area is less than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

ARTICLE 9

BOARD MEETINGS

Section 9.1. Regular Meetings. [Article VI, Section 6.05] Regular meetings of the Board shall be held at least every month, or as business dictates and shall be held at a location within a reasonable proximity to the Development. If the predetermined meeting date should fall upon a legal holiday, then the meeting shall be held at a time and date to be determined by the Board and the membership shall be notified in advance of the meeting date and location.

(A) **Notice of Regular Meetings.** Notice of regular meetings of the Board shall be posted at a prominent place within the Common Area or communicated to the Members in writing, and communicated to Directors not less than four (4) days before the meeting. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 9.2. Special Meetings. [Article VI, Section 6.06] Special meetings of the Board for any purpose may be called at any time by the President or by any two Directors.

(A) **Notice of Special Meetings.** [Article VI, Section 6.3] Written notice of the time and place of special meetings and the nature of any special business to be considered shall be posted in the manner prescribed for notice of regular meetings and shall be sent to all Directors by first class mail not less than seventy-two (72) hours before the scheduled time of the meeting, or such notice shall be delivered personally or by telephone or telegraph not less than seventy-two (72) hours before the scheduled time of the meeting. In case of an emergency, the Association may conduct a meeting with less than seventy-two (72) hours notice, however, it shall be the burden of the person(s) calling the "emergency" special meeting to justify reduction of the required notice time.

Section 9.3. Telephonic Attendance. [Article VI, Section 6.10] Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

Section 9.4. Organization Meetings. [Article VI, Section 6.04] As soon as reasonably practical, following each annual meeting of Members, the Board shall hold a meeting for the purpose of organization, election of Officers and the transaction of other business. Notice of such meetings is not required.

Section 9.5. Waiver of Notice. [Article VI, Section 6.07] The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though it had been at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice or a consent to holding

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

Section 9.6. Notice of Adjournment. [Article VI, Section 6.08] Unless a meeting is adjourned for more than twenty-four (24) hours, notice of adjournment of any Directors meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

Section 9.7. Quorum. [Article VI, Section 6.10] A majority of the Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. However, the Rules and Regulations may be amended only by a majority of the full Board.

Section 9.8. Adjournment. [Article VI, Section 6.09] A majority of a quorum of the Directors may adjourn any Directors' meeting to meet again at a stated date and hour. In the absence of a quorum, a majority of the Directors present at the Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 9.9. Attendance at Meetings and Executive Sessions. [Article VI, Section 6.12, 13] Regular and special meetings of the Board shall be open to all Members of the Association. The Board may, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, the formation of contracts, and other matters of business of a similar nature. Only Directors shall be entitled to attend executive sessions. In general terms, the nature of any and all business to be considered in executive session shall first be announced in open session or at the next regularly scheduled Board meeting.

Section 9.10. Action Without Meeting. [Article VI, Section 6.11] Any action required or permitted to be taken by the Board may be taken without a meeting if all Members of the Board, individually or collectively, consent in writing to that action. The Board may also take action by written ballot of the majority of the Board of Directors. Action by unanimous written consent or by written ballot shall have the same force and effect as a properly noticed and voted Board of Director's motion. Such unanimous written consent or written ballot shall be filed with the minutes of the proceedings of the Board.

Section 9.11. Compensation. Directors, officers and Members of a committee shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE 10

OFFICERS

Section 10.1. Officers. [Article VII, Section 7.01] The Officers of the Association shall consist of a President, Vice President, Secretary and Treasurer. The Association may also have, at the

discretion of the Board, such other officers as may be appointed in accordance with the provisions of Section 10.3 herein.

Section 10.2. Election and Term. [Article VII, Section 7.02] The Officers of the Association, except such Officers as may be appointed in accordance with the provisions of Section 10.3 of this Article, shall be chosen annually, for a term of one (1) year, by the Board, and each shall hold his or her office until he or she shall resign, or shall be removed or otherwise disqualified to serve, his or her term ends, or his or her successor be elected and qualified.

Section 10.3. Subordinate Officers. [Article VII, Section 7.01] The Board may appoint such other Officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 10.4. Removal and Resignation From Office. [Article VII, Section 7.03] Any Officer may be removed, with or without cause, by a majority of the Directors at any meeting of the Board. Any Officer may resign at any time by giving written notice to the Board or the President, or to the Secretary of the Association. Any such resignation shall take effect on the date of the receipt of such notice or at any later time specified in the resignation. Unless otherwise specified in the resignation, the acceptance of the resignation is not required to make it effective.

Section 10.5. Multiple Officers. [Article VII, Section 7.01] Only the Offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 10.3 hereof.

Section 10.6. Vacancies. [Article VII, Section 7.04] A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointment to such office.

Section 10.7. President. [Article VII, Section 7.05] Subject to such supervising powers as may be given by the Board of Directors to the chairperson of the Board, if any, the President shall be the chief executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and Officers of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board. The President, by virtue of his office, shall be an ex-officio member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board or by these Bylaws. The President, at his sole discretion, may make motions and vote on said motions or refrain from voting on an issue. Notwithstanding the foregoing, the President shall vote in the case of a tie. Nothing in this Section shall be construed to limit the President from making or seconding motions, in the absence of such motions by other Board Members.

Section 10.8. Vice President. [Article VII, Section 7.06] 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 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 for him by the Board, the Chairperson of the Board, or by these Bylaws.

Section 10.9. Secretary. [Article VII, Section 7.08] The Secretary shall keep, or cause to be kept, a book of the minutes at the principal office or such other place as the Board may order of all meetings of Directors and Members, with the time and place of the meeting, whether regular or special, and if special how authorized, the notice given, the names of those present at the Directors' meetings, the number of Members present or represented at Members' meetings and the proceedings of the meeting.

The Secretary shall give or cause to be given, notice of all the meetings of the Members and of the Board required by these Bylaws or by law to be given, and shall keep other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 10.10. Treasurer. [Article VII, Section 7.07] The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any Director.

The Treasurer shall deposit, or cause to be deposited, all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever requested, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE 11

COMMITTEES

Section 11.1. Committees of Directors. [Article VIII] In addition to a Nominating Committee appointed and constituted pursuant to Article 7, Section 7.3 of these Bylaws and the Architectural Committee appointed and constituted pursuant to the Declaration, the Board may, by resolution of a majority of the Directors then in office, designate one or more committees, each consisting of two or more Members (who may also be Directors), to serve at the pleasure of the Board. The Chairperson of each Committee shall be a member of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(A) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation law, also requires approval of the Members.

(B) Fill vacancies on the Board of Directors or on any committee that has been delegated any authority of the Board.

- (C) Amend or repeal Bylaws or adopt new Bylaws.
- (D) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.
- (E) Appoint any other committees of the Board of Directors or the Members of those committees.
- (F) Approve any transaction: (1) to which the Association is a party and one or more Directors have a material financial interest; or (2) between the Association and one 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.

Section 11.2. Meetings and Actions of Committees. Meetings and actions of committee shall be governed by, and held and taken in accordance with, the provisions of Article 9 of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall be given to all committee members. 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 not inconsistent with the provisions of these Bylaws for the governance of any committee.

Section 11.3. Effect of Committee Actions. Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a committee, all actions of any committee shall be considered advisory to the Board and shall be scheduled on the agenda of the next Board meeting following the committee's action or decision for affirmation, rescission, or modification, as the Board in its discretion deems appropriate.

ARTICLE 12

ASSOCIATION FINANCES

Section 12.1. Description of Assessments to Which Owners are Subject. Owners of Lots within the Development are subject to Annual, Special and Reimbursement Assessments as described in Article 5 of the Declaration.

Section 12.2. Checks, Drafts, Etc. [Article XI, Section 11.01] All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board. The Board may delegate check signing authority to its managing agent for common budgetary items including, but not limited to the following: gas, electricity, other utilities, maintenance, etc. All checks must be signed by at least two (2) Board members. Reserve withdrawals shall be signed by at least two (2) Directors or one Director and an Officer of the Board of Directors.

Section 12.3. Execution of Contracts. [Article XI, Section 11.02] The Board, except as in these Bylaws or otherwise provided, 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 Association. Such contract or instrument shall be signed by any two (2) Officers. Such authority may be general or confined to specific instances as may be determined by the Board. Unless so authorized by the Board, no Officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 12.4. Financial Statements and Budgets. Financial statements shall be prepared annually by the Association and a copy distributed to all its Members as follows:

(A) **Operating Budget.** A pro-forma operating budget shall be distributed annually not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Association's fiscal year. The budget shall contain the information required by *Civil Code* Sections 1365 and 1365.2.5 which includes the following:

- (1) The estimated revenue and expenses on an accrual basis;
- (2) The total amount of the cash reserves of the Association currently set aside for the replacement of any major repair of the Common Area. Any summary prepared shall contain the information required by *Civil Code* Section 1365.2.5;
- (3) An estimate of the current replacement costs of and the estimated remaining useful life of, and the methods of funding used to defray the future repair, replacement, or additions to those major components of the Common Area.

In lieu of distributing the complete pro-forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that the copies will be furnished, upon request, to any Members at the Association's expense. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail, within the five days.

(B) **Annual Audit/Review.** Subject to the provisions of California law, an annual report and/or review prepared in accordance with generally accepted accounting principles to be distributed to each Member of the Association within one hundred twenty (120) days after the close of the Association's fiscal year.

(C) **Review of Accounts.** On no less than a quarterly basis, the Board of Directors shall:

- (1) Review a current reconciliation of the Association's operating accounts;
- (2) Review a current reconciliation of the Association's reserve accounts;
- (3) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(4) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and

(5) Review the Association's income and expense statement for the operating and reserve accounts.

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

(D) Assessment Collection Policy. A statement of the Association's policies and practices in enforcing its remedies against Members for default in the payment of Assessments, including the recording and foreclosing of liens, to be distributed to Members of the Association not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Association's fiscal year.

ARTICLE 13

MISCELLANEOUS

Section 13.1. Members' Right to Inspect Books and Records. [Article V, Section 5.01] The Association shall keep in its principal office for the transaction of business or at such other place within Riverside County as the Board shall prescribe, all records of the Association required under *Civil Code* Section 1365.2, or successor statute, which shall be made available for inspection and copying by any Member of the Association, by any Member's duly-appointed representative, and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to its interest as a Member or Mortgagee subject to the conditions set forth in *Civil Code* Section 1365.2. The Board shall establish reasonable rules with respect to:

(A) Notice to be given to the custodian of the records by the Member or Mortgagee desiring to make the inspection;

(B) Hours and days of the week when such an inspection may be made; and

(C) Payment of the costs of reproducing copies of documents requested.

Section 13.2. Directors' Right to Inspect Books and Records. [Article V, Section 5.04] Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association. The right of inspection by a Director shall include the right at the Director's expense to make extracts and copies of documents.

Section 13.3. Fiscal Year. [Article XI, Section 11.04] The fiscal year of the Association shall begin on the first (1st) day of January of each year and end on the thirty-first (31st) day of December of each year. The fiscal year of the Association is subject to change from time to time as the Board shall determine.

Section 13.4. Documents Provided to First Mortgage Holder, Guarantor, Insurer. Any holder, insurer or governmental guarantor of a first Mortgage encumbering a Lot shall be entitled, upon written request, to a financial statement for the immediately preceding fiscal year. The financial statement shall be furnished within a reasonable time following the request.

Section 13.5. Documents Provided to Prospective Purchaser.

(A) Each Owner shall, as soon as practicable before transfer of title of a Lot, provide the following to the prospective purchaser:

- (1) A copy of the Governing Documents of the Association;
- (2) A copy of the most recent documents required to be distributed to the Owners pursuant to *Civil Code* Section 1365; and
- (3) A true statement in writing from an authorized representative of the Association as to the amount of any Assessments levied upon a Lot which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Lot in the Association.
- (4) A copy or a summary of any notice sent to the Member that sets forth any alleged violation of the Governing Documents that remains unresolved. The notice shall not be deemed a waiver of the Association's right to enforce the Governing Documents against the Member or the prospective purchaser; and
- (5) Any other documents required to be provided pursuant to *Civil Code* Section 1368.

(B) Upon written request, the Association shall, within ten (10) days of the mailing or delivery of the request, provide the Member with a copy of these requested items. The Association may charge a fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested items.

(C) The Association shall not impose or collect any Assessment, penalty or fee in connection with a transfer of title or any other interest except the Association's reasonable estimated costs involved with such transfer of title.

Section 13.6. Personal Liability. No member of the Board, or of any committee of the Association, or any Officer of the Association shall be personally liable to any Member, or to any other party, including the Association, for any error or omission of the Association, the Board, its authorized agents or employees, if such person has acted in good faith without willful or intentional misconduct.

Section 13.7. Conflicts. [Article XI, Section 11.05] If there are any conflicts or inconsistencies between the provisions of the Declaration and these Bylaws, the terms and provisions of the Declaration shall control.

Section 13.8. Parliamentary Procedure. In the event of a dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to an established parliamentary procedure publication as determined by the Board.

Section 13.9. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

Section 13.10. Proof of Membership. No person shall exercise the rights of membership in the Association until satisfactory proof thereof has been furnished to the Secretary. Such proof may consist of either a copy of a duly executed and acknowledged grant deed or title insurance policy showing said person to be the Owner of an interest in a Lot entitling him to membership. Such deed or policy shall be deemed conclusive in the absence of a conflicting claim based on a later deed or policy.

ARTICLE 14

INDEMNIFICATION OF DIRECTORS

Section 14.1. Owner Responsibility to Association and Other Owners. Each Owner shall be liable to the Association for any damage to the Development caused by the negligence or willful misconduct of the Owner. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any Residential Lot or Exclusive Use Area owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. It is further provided that this Article is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this Article.

Section 14.2. Indemnification. [Article X, Section 10.02] Every Director and every Officer past or present of the Association shall be indemnified by the Association against expenses and liabilities, including reasonable attorney's fees, incurred or imposed upon him in connection with any proceeding in which he may be a party, or in which he may become involved, by reason of his being, or having been, a Director or an Officer of the Association, or any settlement thereof, except in such cases wherein the Director or Officer is adjudged guilty of gross negligence or malfeasance in the performance of his duties. Indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

ARTICLE 15

AMENDMENTS

Section 15.1. Amendment Procedures. [Article XII] These Bylaws may be amended only by the affirmative vote (in person or by proxy) or by written consent of Members representing a majority of the total voting power of the Association. Any amendment shall become effective upon the execution of a Certificate of Amendment by the President and Secretary of the Association that certifies the Amendment was approved in accordance with the terms of these Bylaws.

CERTIFICATE OF AMENDMENT

I, the undersigned, do hereby certify:

1. That I am duly elected and acting Secretary of SUNTERRACE HOMEOWNERS ASSOCIATION, INC., a California Nonprofit Mutual Benefit Corporation and certify:

2. That the foregoing FIRST RESTATED BYLAWS comprising ____ pages, constitute the Bylaws of the corporation duly adopted by a vote of at least a majority of the voting power for the Association.

SUNTERRACE HOMEOWNERS
ASSOCIATION, INC.

Dated: _____, 2007

By: _____
_____, Secretary

I, the undersigned, do hereby certify:

1. That I am duly elected and acting President of SUNTERRACE HOMEOWNERS ASSOCIATION, INC., a California Nonprofit Mutual Benefit Corporation and certify:

2. That the foregoing FIRST RESTATED BYLAWS comprising ____ pages, constitute the Bylaws of the corporation duly adopted by a vote of at least a majority of the voting power for the Association.

SUNTERRACE HOMEOWNERS
ASSOCIATION, INC.

Dated: _____, 2007

By: _____
_____, President