“If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code by submitting a “Restrictive Covenant Modification” form, together with a copy of the attached document with the unlawful provision redacted to the county recorder’s office. The “Restrictive Covenant Modification” form can be obtained from the county recorder’s office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.”

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

THIS SPACE FOR RECORDER'S USE ONLY

RESTRICTIVE COVENANT MODIFICATION

(Unlawfully Restrictive Covenant – Government Code Section 12955)

Unlawful Restrictive language review requested by:

☐ I(We) _____ have an ownership or are acquiring interest in the property that is covered by the document described below.

☐ Title Company, Escrow Company, Real Estate Broker, Real Estate Agent, or other party_____
Individual/Company Name

☐ San Diego County Recorder

The following referenced document contains a restrictive covenant based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in Section 12955, of the Government Code, or ancestry that violates state and federal fair housing laws, and that restriction is void. Pursuant to Section 12956.2 of the Government Code, this document is being recorded solely for the purpose of redacting and eliminating that restrictive covenant as shown on page(s)_____of the document recorded on _____ (date) in book _____ and page _____ or instrument number _____ of the official records of the County of San Diego, State of California.

Attached hereto is a true, correct, and complete copy of the document referenced above, with the unlawful restrictive covenant redacted.

This modification document shall be indexed in the same manner as the original document being modified, pursuant to subdivision (d) of section 12956 of the Government Code.

The effective date of the terms and conditions of the modification document shall be the same as the effective date on the original document.

_____ _____

Signature of submitting party Printed name of submitting party

_____ County Counsel, or their designee, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, hereby states that it has determined that the original document referenced above contains an unlawful restriction and this modification may be recorded.

Or

_____County Counsel, or their designee, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, finds that the original document does not contain an unlawful restriction, or the modification document contains modifications not authorized, and this modification may not be recorded.

County Counsel

By:_____

Date:_____

As of 05/16/2022, San Diego County Clerk Recorder does not provide procedures for the Restrictive Covenant Modification process compliant with Government Code 12956.2 with the available Restrictive Covenant Modification form. For further information on the procedures, contact San Diego County Clerk Recorder at (619) 237-0502.

BYLAWS

OF

SKYE NEIGHBORHOOD ASSOCIATION

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OF
SKYE NEIGHBORHOOD ASSOCIATION

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BYLAWS

OF

SKYE NEIGHBORHOOD ASSOCIATION

ARTICLE I
PLAN OF OWNERSHIP

1.1 **DEFINITIONS AND INTERPRETATION.** Unless otherwise provided in these Bylaws, the capitalized terms used in these Bylaws have the meanings they are given in the Neighborhood Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Skye (***"Neighborhood Declaration"***), which was Recorded in the Official Records of the County against the Neighborhood. These Bylaws shall be interpreted in accordance with Section 1.2 of the Neighborhood Declaration. Capitalized terms not defined herein shall have the meaning provided in the Neighborhood Declaration.

1.2 **NAME AND PRINCIPAL OFFICE.** The name of the Neighborhood Association is Skye Neighborhood Association. The principal office of the Neighborhood Association, if any, shall be located in the County or such other location as the Board may designate.

1.3 **APPLICATION.** These Bylaws apply to the residential condominium project known as Skye (***"Neighborhood"***), which is located in the County. All Persons who use the facilities of the Neighborhood in any manner are subject to the terms and provisions of these Bylaws, the Neighborhood Declaration, and the other Governing Documents of the Neighborhood. Use of any Condominium in the Neighborhood signifies acceptance and ratification of these Bylaws.

ARTICLE II
BOARD OF DIRECTORS

2.1 **NUMBER OF DIRECTORS.**

2.1.1 **Interim Directors.** Until the first annual meeting of the Owners, the Neighborhood Association's property, business and affairs shall be governed and managed by a Board of Directors composed of three (3) persons appointed by Neighborhood Builder to serve as interim Directors until Directors are elected at the first annual meeting of the Owners.

2.1.2 **Elected Directors.** The Neighborhood Association's property, business and affairs shall be governed and managed by a Board of Directors composed of no fewer than three (3) nor more than five (5) persons elected at the first annual meeting. Beginning with the first annual meeting of the Owners, the initial authorized number of Directors will be fixed at three (3). The authorized number of Directors may be adjusted within the range stated above with the approval of the Board from time to time without having to amend these Bylaws. The size of the Board may be increased beyond five (5) Directors by duly adopted amendment to these Bylaws.

2.2 **QUALIFICATIONS FOR HOLDING OFFICE**. Each Director, except for those initially appointed by Neighborhood Builder to serve as interim Directors until the first annual meeting, must be: (a) a resident Owner who meets the candidacy and incumbency requirements in Sections 2.2.1 and 2.2.2 below; (b) as long as Neighborhood Builder owns any portion of the Neighborhood, an employee or agent of Neighborhood Builder. Directors elected by Neighborhood Builder under clause (b) above need not be an Owner.

2.2.1 **Candidacy Requirements for Owners**. Owners who meet the following criteria are qualified to be nominated and elected to the Board of Directors:

(a) The Owner must be in compliance with the Governing Documents for the three (3) months immediately preceding the date of the election at which the Owner is being considered for election to the Board of Directors. To be in compliance, the Owner must correct, within five (5) days of receipt of notice, any violation of the Governing Documents for which the Owner has been determined to be responsible pursuant to applicable due process requirements;

(b) The Owner must be current in the payment of all Assessments for the three (3) months immediately preceding the date of the election at which the Owner is being considered for election to the Board of Directors; and

(c) The Owner must not be related by blood or marriage to or reside in the same household with any other Board member.

2.2.2 **Incumbent Requirements**. To remain qualified to serve on the Board of Directors, an Owner who has been elected to the Board of Directors must:

(a) Not be absent from more than three (3) consecutive regularly scheduled meetings of the Board;

(b) Attend at least seventy-five percent (75%) of the Board meetings held during the year and attend the entire meeting each time;

(c) Comply with every duly approved action of the Board;

(d) Comply with the Governing Documents and correct, within five (5) days after receipt of notice, any violation of the Governing Documents for which that Director has been determined to be responsible pursuant to applicable due process requirements;

(e) Not be more than three (3) months in arrears in the payment of any Assessment;

(f) Exhibit respect, professionalism and courteous behavior to other Directors, Owners, committee members, vendors, the Manager and its staff, and any other Persons associated with or retained by the Neighborhood Association;

(g) Be at all times an Owner in good standing;

(h) Refuse any type of gain, such as money, services, products, gifts or gratuities of a significant value, as determined by a majority vote of the Directors who meet all of the required qualifications to serve as such, which gain is offered in relation to the Owner's service as a Director. In addition, the Owner must disclose such offers at an open meeting of the Board. Compensation for services duly approved by the Board and unrelated to duties as a Director or Officer of the Neighborhood Association, and reimbursement of expenses associated with services to the Neighborhood Association, do not constitute prohibited gain within the meaning of this subsection; and

(i) Not act in a manner determined by a majority vote of the Directors to be grossly detrimental to the general safety, health or welfare of the Neighborhood Association and its members.

2.3 **ELECTION**.

2.3.1 **General Procedure**. On the date of the first annual meeting of the Owners, the offices of the three interim Directors shall be deemed to be vacant, and the Members of the Neighborhood Association (including Neighborhood Builder) shall elect new Directors to fill all Board seats. At each annual meeting thereafter (as described in Section 4.2), new Directors shall be elected to fill vacancies on the Board. If an annual meeting is not held, or all vacancies on the Board are not filled at the annual meeting, vacancies may be filled in accordance with the procedure for filling vacancies set forth in Section 2.5. The Board of Directors or a nominating committee established by the Board of Directors may propose the nomination of candidates. Any Owner may nominate any other Owner or himself or herself by submitting written notice of the nomination to the Board or its nominating committee.

2.3.2 **Voting**. Voting shall be by secret written ballot in accordance with the procedure described in California Civil Code Section 5100, *et seq*. An Owner may cumulate his votes for any candidate for the Board in any election in which more than two (2) Directors are to be elected if (a) the candidate's name has been placed in nomination before the voting takes place, and (b) the Owner has given notice at the meeting before the voting of such Owner's intent to cumulate votes. If an Owner cumulates his votes, such Owner may cast a number of votes equal to the Owner's share of the voting power multiplied by the number of Directors to be elected. If any one Owner has given this notice, all Owners may cumulate their votes for candidates in nomination.

2.3.3 **Special Election Requirement**. So long as either (a) Declarant is entitled to exercise its Class B Vote, or (b) Declarant is entitled to exercise a majority of the Association's voting power, at least one (1) of the members of the Board must be elected solely by the votes of Owners other than Declarant.

2.4 **TERM OF OFFICE**. Each Director shall hold office until the earlier to occur of (a) the end of the Director's term of office after a successor has been elected, or (b) his death, resignation, removal or judicial adjudication of mental incompetence. In addition to the foregoing, the term of any agents or employees of Neighborhood Builder, who are serving as Directors shall end when Neighborhood Builder no longer owns any portion of the Neighborhood or Annexable Area. At the first annual meeting, and at any future election in

which all Board seats are to be filled, the term of office of the two (2) Directors receiving the highest number of votes shall be three (3) years and the term of office of the Director receiving the next highest number of votes shall be two (2) years.

At any future election in which all Board seats are to be filled, the term of office of each Director elected to fill a vacancy created by expiration of a Director's term of office shall be two (2) years. The term of office of each Director elected or appointed to the Board for any other reason shall be the balance of the unserved term. Any person serving as a Director may be reelected. There is no limit on the number of terms which a Director may serve.

2.5 **VACANCIES.**

2.5.1 **Resignation**. Any Director may resign from the Board at any time by giving written notice of resignation to the Board.

2.5.2 **Deemed Vacancies**. A vacancy on the Board is deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director or if the Owners fail to elect the full number of authorized Directors at any meeting at which a Directors election is to take place.

2.5.3 **Declared Vacancies**. The Board by majority vote of the Directors who meet all of the requirements for incumbent directors in Section 2.2.2 above, and any Directors who are agents or employees of Neighborhood Builder, may declare vacant one or more Director seats for cause pursuant to Section 2.6.3 below.

2.5.4 **Employees and Agents of Neighborhood Builder**. Notwithstanding anything in these Bylaws to the contrary, the office of any Director who is an employee or other agent of the Neighborhood Builder shall be deemed to be vacant on the earliest to occur of the date on which the Director resigns from the Board, ceases to be an employee or agent of Neighborhood Builder, or the date on which the Board receives notice from Neighborhood Builder that the Director has been replaced by Neighborhood Builder under Section 2.5.5, or has ceased to be an employee or agent of Neighborhood Builder. Furthermore, on the date on which Neighborhood Builder no longer owns any portion of the Neighborhood or Annexable Area, the offices of any Directors who are non-Owner agents of Neighborhood Builder serving under Section 2.2(b) shall be deemed vacant, and the vacancies filled in accordance with Section 2.5.5 by the Board or by the Owners.

2.5.5 **Replacement**. Vacancies in elected seats on the Board caused by death, resignation, or any other reason besides the removal of a Director by the Board or by the Owners may be filled by either (a) a vote of a majority of the remaining Directors, even though they may constitute less than a quorum, or (b) by vote of the Owners. Any vacancy caused by the removal of a Director must be filled by a vote of the Owners. Provided, however, that notwithstanding the foregoing or anything else to the contrary in these Bylaws, vacancies arising for any reason in the seats of any Directors who are serving as agents of Neighborhood Builder may be replaced solely by Neighborhood Builder with a replacement Director to serve out the unserved term. This right may be executed until the earlier of the expiration of the term or the

date on which Neighborhood Builder no longer owns any portion of the Neighborhood or Annexable Area.

2.6 **REMOVAL OF DIRECTORS.**

2.6.1 **Generally.** At any meeting of the Owners, any individual Director or the entire Board may be removed before the expiration of their terms of office with or without cause as follows: (a) as long as fewer than fifty (50) Condominiums are included in the Neighborhood, by the vote of Owners representing a majority of the Neighborhood Association's total voting power (including votes attributable to Neighborhood Builder), and (b) once fifty (50) or more Condominiums are included in the Neighborhood, by the vote of Owners representing a majority of a quorum of Owners. However, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed by the Owners must be given an opportunity to be heard at the meeting. If any Directors are removed, new Directors may be elected at the same meeting.

2.6.2 **Restrictions on Removal Powers.** Notwithstanding anything in these Bylaws to the contrary concerning the removal of Directors, any Director elected to office solely by the votes of Owners other than Neighborhood Builder pursuant to Section 2.3.3 may be removed only by the vote of at least a simple majority of the Neighborhood Association's voting power represented by Owners other than Neighborhood Builder or by the Board pursuant to Section 2.6.3. Provided, however, that for so long as Neighborhood Builder owns any portion of the Neighborhood or Annexable Area, any Directors who are agents or employees of Neighborhood Builder may only be removed by Neighborhood Builder.

2.6.3 **Removal by Board for Failure to Qualify.** Except as provided in Section 2.6.2, the Board by a majority vote of the Directors who meet the applicable qualifications to serve as a Director in Section 2.2 above, may declare vacant the office of any Director who is not an agent or employee of Neighborhood Builder, if the Director fails or ceases to meet any one or more of the qualifications then applicable to the Director under Section 2.2 above. So long as Neighborhood Builder owns any portion of the Neighborhood or Annexable Area, any Directors who are agents or employees of Neighborhood Builder may only be removed by Neighborhood Builder.

2.7 **COMPENSATION.** Directors may not receive any compensation for their services as Directors unless such compensation is first approved by Owners representing at least a majority of the Neighborhood Association's voting power. However, (a) nothing in these Bylaws precludes any Director from serving the Neighborhood Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for actual expenses incurred in performance of Neighborhood Association duties, and (c) no agent, officer, employee or director of Neighborhood Builder or any affiliate of Neighborhood Builder may receive any compensation from the Neighborhood Association for service as a Director of the Neighborhood Association.

2.8 **MEETINGS OF THE BOARD.** Except in certain emergency situations described below, the Directors may not take action on any item of business outside of a meeting.

2.8.1 **Conduct of Meeting; Attendees.** Any meeting of the Board may be conducted by teleconference at which a majority of the Directors are connected by electronic means, through audio or video or both, with at least one physical location so that the Members may attend and at least one Director, or other person designated by the Board, is present at that location, and so long as the requirements for attendance and participation of Directors and Members at the meeting under California Civil Code Section 4090 and the California Corporations Code are met. In these cases, all Directors who participate in a meeting by any of these methods will be deemed to be present in person at the meeting.

2.8.2 **Regular Meetings.**

(a) ***Time and Place.*** Regular meetings may be held at such time and place fixed from time to time by resolution adopted by a majority of a quorum of the Directors. The meeting place shall ordinarily be within the Neighborhood unless in the judgment of the Board a larger meeting room is required than exists within the Neighborhood, in which case, the meeting room selected shall be as close as possible to the Neighborhood, but the Board may elect to hold a meeting at the Manager's corporate offices if such location is determined to be reasonable in the Board's business judgment.

(b) ***Frequency.*** Regular meetings shall be conducted as frequently as the business of the Board justifies, but in no event may regular meetings be held any less frequently than quarterly.

(c) ***Notice.*** Each Director and the Members shall be given notice of the time and place of regular meetings of the Board not less than four (4) days before the date of the meeting, except in the case of an emergency meeting or a meeting that will be solely held in executive session (as described below).

2.8.3 **Special Meetings.** Special meetings may be called by the President or by any two (2) Directors other than the President. Notice of the time and place of special meetings of the Board shall be posted and communicated in the manner prescribed for regular meetings, but it shall be sent to all Directors not less than seventy-two (72) hours prior to the scheduled time of the special meeting. Such notice is not required to be sent to any Director who has signed a waiver of notice or a written consent to holding of the meeting. The notice shall specify the time and place of the meeting and the nature of any special business to be considered.

2.8.4 **Executive Sessions.** Any Member of the Neighborhood Association, and for a period of ten (10) years after the Close of Escrow for the sale of the last Condominium in the Neighborhood, Neighborhood Builder, may attend meetings of the Board, except when the Board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, Member discipline, personnel matters, or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments, as specified in California Civil Code Section 5665. The Board shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member shall

be entitled to attend the executive session. Except as expressly permitted in this Section, only Directors, the Neighborhood Association's counsel and the Neighborhood Association's consultants may attend executive sessions. Except for an emergency meeting, Members shall be given notice of the time and place of a meeting that will be held solely in executive session at least two (2) days prior to the meeting, pursuant to the means of giving notice described below. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership.

2.8.5 **Emergency Meetings of the Board**. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impractical to provide notice to the Members, then an emergency meeting of the Board may be called by the President or any two other members of the Board without providing notice to the Members. Electronic transmissions may be used as a method of conducting an emergency meeting if all Directors consent in writing to that action and the written consents are filed with the minutes of the meeting. Written consent to conduct an emergency meeting may be transmitted electronically. Emergency meetings must comply with all applicable provisions of California Civil Code Section 4900, *et seq*.

2.8.6 **Organizational Meeting for New Board**. The first regular "organizational" meeting of a newly elected Board must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors at the meeting at which such Directors were elected, to organize, elect officers and transact other business. No prior notice of such meeting is required for the newly elected Directors so long as (a) a majority of the whole Board is present at the meeting of the Owners when the time and place for the organizational meeting are announced, and (b) the organizational meeting is held on the same day and at the same place as the meeting of the Owners at which the newly constituted Board was elected.

2.8.7 **Other Meetings**. Any congregation of a majority of the Directors at the same time and place, and any teleconference at which a majority of the Directors are connected at different locations by electronic means, through audio or video or both, to hear, discuss or deliberate on any item of business that is within the authority of the Board, shall constitute a meeting of the Board. All Owners and, for a period of ten (10) years after the Close of Escrow for the sale of the last Condominium in the Neighborhood, Neighborhood Builder, shall have the right to attend any regular, special or other meeting of the Board, except an executive session as described above. Owners who are not Directors may not participate in any deliberation or discussion at such meetings unless authorized by a vote of a majority of a quorum of the Board. However, at each Board meeting, except for executive sessions, the Board must set aside time for Owners to speak, subject to reasonable limits imposed by the Board.

2.8.8 **Form of Notice to Owners**. Notice of a meeting of the Board shall be given by posting in a prominent place or places in the Neighborhood Association Property and by mail to any Member who requested notification of meetings by mail at the address requested by the Member. Notice may also be given by mail, by delivery to each Condominium, by newsletter or similar means of communication, or, with the consent of the Member, by electronic means. Notice of a meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

2.8.9 **Waiver of Notice**. Before or after any meeting of the Board, any Director may, in writing, waive personal notice of such meeting. Attendance by a Director at any Board meeting waives the requirement of personal notice. If all Directors are present at a Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting however called and noticed or wherever held, are valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Owners of such meeting was posted as provided in Sections 2.8.2 and 2.8.3, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. The Secretary shall file all such waivers, consents and approvals with the Neighborhood Association's records or make them a part of the minutes of the meeting.

2.8.10 **Quorum and Adjournment**. Except as otherwise expressly provided in these Bylaws, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. At any meeting of the Board when less than a quorum is present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

2.9 **COMMITTEES**. The Board may by resolution establish such committees as it desires, and may establish the purposes and powers of each such committee created. The resolution establishing the committee must (a) provide for the appointment of its members and a chairman, (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters as the Board considers appropriate.

2.10 **GENERAL POWERS AND DUTIES.** Subject to the limits described in Section 2.11, the Neighborhood Declaration and under applicable law governing homeowners associations, the Neighborhood Association has the general powers of a nonprofit mutual benefit corporation organized under California law, to the extent necessary to administer its affairs. All the Neighborhood Association's powers shall be exercised by the Board except those powers specifically reserved to the Owners. The powers and duties of the Neighborhood Association include the following:

2.10.1 **Enforcement**. The power and duty to enforce applicable provisions of the Governing Documents, and the power to initiate and execute disciplinary proceedings against Members for violations of the Governing Documents in accordance with procedures set forth in the Governing Documents. Such powers include the power to impose sanctions and fines against Owners for violations of the Governing Documents.

2.10.2 **Payment of Taxes**. Payment of taxes and assessments which are, or could become, a lien on any property owned by the Neighborhood Association or portion thereof.

2.10.3 **Assessments**. The power and duty to fix and levy Assessments and identify the due date for payment of Assessments. The Board may incur Common Expenses. The Neighborhood Association's funds shall be held in trust for the Owners.

2.10.4 **Insurance**. The power and duty to contract and pay for casualty, liability and other insurance on behalf of the Neighborhood Association in accordance with the Neighborhood Declaration. The insurance shall provide coverage against such damages or injuries as the Board considers advisable (which coverage may include medical expenses of persons injured on the Neighborhood Association Property). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Neighborhood Association's behalf.

2.10.5 **Obtaining Goods and Services**. Subject to the limitations on contracts set forth in Section 2.11.3 below, the power to contract for goods and services for the Neighborhood Association Property or for the Neighborhood Association, including (a) contracts for maintenance, landscaping and common utilities services, (b) contracts for materials and supplies necessary for the operation and maintenance of the Neighborhood Association Property, (c) contracts to obtain the services of personnel necessary to operate and manage the Neighborhood, including management, legal and accounting services, and (d) contracts to pay the cost of construction, maintenance, repair, removal and replacement of Improvements on the Neighborhood Association Property.

2.10.6 **Delegation**. The power but not the duty to delegate its powers to committees, officers and employees of the Neighborhood Association as authorized under the Governing Documents.

2.10.7 **Rules and Regulations**. The power and duty to formulate rules of operation of the Neighborhood Association Property.

2.10.8 **Budgets and Financial Reporting**. The power and duty to prepare budgets and financial statements for the Neighborhood Association as prescribed in the Governing Documents.

2.10.9 **Right of Entry**. The power to enter upon any privately-owned Condominium as necessary in connection with construction, maintenance or emergency repair for the benefit of the Neighborhood Association Property or the Owners in common.

2.10.10 **Filling Vacancies**. The power and duty to fill vacancies on the Board except for a vacancy created by the removal of a Director.

2.10.11 **Officers, Agents and Employees**. The power and duty to select, appoint and remove all Neighborhood Association officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the Governing Documents, to fix their compensation, to require from them such security for faithful service as the Board considers advisable, and to contract to provide them with such indemnification as the Board determines is appropriate.

2.10.12 **Bylaws**. The power and duty to adopt these Bylaws.

2.10.13 **Records**. The power and duty to keep a complete record of Neighborhood Association acts and corporate affairs.

2.10.14 **Manager**. The power to engage a professional Manager for the Neighborhood Association at a compensation established by the Board to perform such duties and services as the Board authorizes.

2.10.15 **Agreements with Neighborhood Builder**. The power but not the duty to negotiate and enter into agreements with Neighborhood Builder subject to applicable restrictions in the Governing Documents.

2.10.16 **Principal Office, Place of Meetings, Seal**. The power but not the duty to move the Neighborhood Association's principal office from one location to another in the County; to designate any place in the County for holding any meetings of Owners consistent with the provisions of Section 4.2.4; and to adopt and use a corporate seal and to alter the form of such seal.

2.10.17 **Rules for Elections; Inspector of Elections**. The power and duty to adopt rules governing elections in accordance with the procedures prescribed in California Civil Code Section 5105(a), and the power and duty to select an independent inspector of election in accordance with California Civil Code Section 5110.

2.11 **POWERS AND DUTIES; LIMITATIONS**. Without limiting the scope of the Board's general powers and duties, the Board is granted the following powers and duties:

2.11.1 **Sale or other Transfer of Property**. The power but not the duty to sell property of the Neighborhood Association. Approval from Owners representing at least a majority of the Neighborhood Association's voting power must be obtained before property of the Neighborhood Association having an aggregate fair market value greater than five percent (5%) of the Neighborhood Association's budgeted gross expenses for the Fiscal Year is sold in a single Fiscal Year.

2.11.2 **Capital Improvement Expenditures**. The power to incur expenditures for capital improvements to the Neighborhood Association Property. Approval from a majority of the Owners (excluding Neighborhood Builder), representing a quorum of more than fifty percent (50%) of non-Neighborhood Builder votes, must be obtained before the Neighborhood Association incurs, in any Fiscal Year, aggregate expenditures for capital improvements to the Neighborhood Association Property in excess of five percent (5%) of the Neighborhood Association's budgeted gross expenses for that Fiscal Year.

2.11.3 **Certain Contracts**. Notwithstanding anything in these Bylaws to the contrary, the Board is prohibited from taking any of the following actions, except with the assent, by vote at a meeting of the Neighborhood Association or by written ballot without a meeting pursuant to California Corporations Code Section 7513, of a simple majority of the Members, other than the Neighborhood Builder, constituting a quorum consisting of more than fifty percent (50%) of the voting power of the Neighborhood Association residing in Members other than the Neighborhood Builder:

(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Neighborhood Association Property or the Neighborhood Association for a term longer than one year with the following exceptions:

(i) If FHA or VA are insuring loans in the Neighborhood, a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(ii) 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.

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.

(iv) Entering into agreements for "bulk service" cable television services and equipment or satellite dish television services and equipment or data services and equipment (or any combination of the foregoing) of not to exceed five (5) years duration provided that the supplier is not an entity in which Neighborhood Builder has a direct or indirect ownership interest of ten percent (10%) or more.

(v) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which the subdivider has a direct or indirect ownership interest of 10 percent (10%) or more.

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

(vii) A contract reviewed by DRE.

(viii) Contracts in which the Neighborhood Association enters into litigation or any alternative dispute resolution procedure when the Neighborhood Association's obligation to pay for services is set in whole or in part on a contingency basis only if they are (1) contracts for collection of assessments or other accounts receivable, (2) or contracts involving evaluation of services, or (3) contracts with a total amount to be paid by the Neighborhood Association not in excess of Forty Thousand Dollars ($40,000.00).

(b) Incurring aggregate expenditures for capital Improvements to the Neighborhood Association Property in any Fiscal Year in excess of five percent (5%) of the budgeted gross expenses of the Neighborhood Association for that Fiscal Year.

(c) Selling during any Fiscal Year property of the Neighborhood Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Neighborhood Association for that Fiscal Year.

(d) Paying compensation to members of the Board or to officers of the Neighborhood Association for services performed in the conduct of the Neighborhood

Association's business provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Neighborhood Association.

2.12 **DISTRIBUTION OF INFORMATION**. The Board shall distribute the following financial information to all Owners (and any Beneficiary, insurer and guarantor of a First Mortgage on request), regardless of the number of Owners or the amount of assets of the Neighborhood Association:

2.12.1 **Budget**. A pro forma operating Budget for each Fiscal Year containing the information required under California Civil Code Section 5300(b), and including at least the following information including costs and expenses covered by all Cost Centers must be distributed not less than thirty (30) nor more than ninety (90) days before the beginning of the Fiscal Year:

(a) Estimated revenue and Common Expenses computed on an accrual basis.

(b) A summary of the Neighborhood Association's reserves based on the most recent review or study conducted pursuant to California Civil Code Section 5550, which must be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Neighborhood Association Property for which the Neighborhood Association is responsible.

(ii) As of the end of the Fiscal Year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to restore or maintain the major components of the Neighborhood Association Property for which the Neighborhood Association is responsible (***"Estimated Reserves"***).

(2) The current amount of accumulated cash reserves actually set aside to restore or maintain the major components of the Neighborhood Association Property for which the Neighborhood Association is responsible (***"Actual Reserves"***).

(iii) The percentage that the Actual Reserves is of the Estimated Reserves.

(c) A statement of whether the Board has determined or expects that the levy of one or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component of the Common Property for which the Neighborhood Association is responsible or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the costs of repair and replacement of, or

additions to, major components of the Neighborhood Association Property and facilities for which the Neighborhood Association is responsible.

The Board may distribute a summary of each of the Budgets instead of the Budgets themselves, so long as the Board complies with the provisions of California Civil Code Section 5305.

2.12.2 **Financial Report**. A report consisting of at least the following must be distributed within one hundred twenty (120) days after the close of the Fiscal Year:

(a) A balance sheet as of the end of the Fiscal Year.

(b) An operating (income) statement for the Fiscal Year.

(c) A statement of changes in financial position for the Fiscal Year.

(d) Any information required to be reported under California Corporations Code Section 8322.

(e) For any Fiscal Year in which the Neighborhood Association's gross income exceeds Seventy-Five Thousand Dollars ($75,000), a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(f) A statement of the place where the names and addresses of the current Owners are located.

If the report referred to in Section 2.12.2 is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Neighborhood Association officer stating that the statement was prepared from the Neighborhood Association's books and records without independent audit or review.

2.12.3 **Insurance Information**. The Neighborhood Association shall distribute to all Owners a summary of the Neighborhood Association's property, general liability, earthquake, flood and fidelity insurance policies (all as applicable) not less than thirty (30) nor more than ninety (90) days before the beginning of the Neighborhood Association's Fiscal Year, that includes all of the following information: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of coverage, and (d) the amount of the deductibles, if any.

(a) The Neighborhood Association shall, as soon as reasonably practical, notify the Owners by first-class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Neighborhood Association receives any notice of nonrenewal of a policy described above, the Neighborhood Association shall immediately notify the Owners if replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, the Neighborhood Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Owners.

(c) The summary distributed above shall contain, in at least 10-point boldface type, the following statement:

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

2.12.4 **Enforcement Policies**. In addition to financial statements, the Board shall annually distribute not less than thirty (30) nor more than ninety (90) days before the beginning of the Neighborhood Association's Fiscal Year a statement of the Neighborhood Association's policies and practices in enforcing its lien rights or other legal remedies against Owners for defaults in the payment of Assessments, including the recording and foreclosing of liens against Condominiums.

2.12.5 **Assessment and Foreclosure Notice**.

(a) The Neighborhood Association shall distribute the written notice described in subsection (b) below to each Neighborhood Association member during the 30-90-day period immediately preceding the beginning of the Neighborhood Association's Fiscal Year. The notice shall be printed in at least 12-point type. A Neighborhood Association member may provide written notice of a secondary address to the Neighborhood Association by facsimile transmission or United States mail. If a secondary address is provided, the Neighborhood Association shall send any correspondence and legal notices required pursuant to these Bylaws both to the primary and the secondary address.

(b) The notice required by this Section shall read as follows:

"NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars ($1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars ($1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720, inclusive, of the Civil Code)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying

the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)"

2.12.6 **Accounts**. On at least a quarterly basis, the Board shall: (a) cause to be completed and review a current reconciliation of the Neighborhood Association's operating and reserve accounts, (b) review the current Fiscal Year's actual reserve revenues and expenses compared to the applicable Budget for the then current Fiscal Year, (c) review the income and expense statement for the Neighborhood Association's operating and reserve accounts, (d) review the most current account statements prepared by the financial institutions where the Neighborhood Association keeps its operating and reserve accounts, and (e) fulfill any additional duties established by California Civil Code Section 5500. The signatures of either (1) two (2) Directors, or (2) one (1) Director and one (1) Neighborhood Association officer (who is not also a Director) are required for the withdrawal of money from the Neighborhood Association's reserve accounts. As used in this Subsection, the term "reserve accounts" means Budgeted funds that the Board has designated for use to defray the future repair and replacement of, or additions to, those major components of the Neighborhood Association Property which the Neighborhood Association is obligated to maintain.

2.12.7 **Reserve Study**. The Board shall cause a study of the reserve account requirements of the Neighborhood to be conducted in accordance with California Civil Code Section 5550, *et seq*. As used in this Subsection, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components of the Neighborhood Association Property which the Neighborhood Association is obligated to maintain.

ARTICLE III
OFFICERS

3.1 **ENUMERATION OF OFFICERS**. The Neighborhood Association's principal officers are a President, a Vice President, a Secretary, and a Treasurer, all elected by the Board. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any person may hold more than one office.

3.2 **ELECTION OF OFFICERS**. The Board shall annually elect the Neighborhood Association's officers at the first meeting of the Board to occur following the annual meeting of the Members. The Board shall adopt rules relating to the election of officers according to the procedures prescribed by California Civil Code Section 4340, *et seq*. Each officer shall hold his office at the pleasure of the Board, until he resigns or is removed, is otherwise found to be disqualified to serve or a successor is elected and qualified to serve.

3.3 **REMOVAL OF OFFICERS; RESIGNATION**. On an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and a successor elected at any meeting of the Board. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of such notice or at any later time specified therein. Unless specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

3.4 **COMPENSATION**. No officer may receive any compensation for services performed in the conduct of the Neighborhood Association's business unless such compensation is approved by the vote or written consent of Owners representing at least a majority of the Neighborhood Association's voting power; however (a) nothing in these Bylaws precludes any officer from serving the Neighborhood Association in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for actual expenses incurred in the performance of Neighborhood Association duties. Appointment of any officer does not create contractual rights of compensation for services performed by such officer. No officer, employee or director of Neighborhood Builder or any affiliate of Neighborhood Builder may receive any compensation for service as an officer of the Neighborhood Association.

3.5 **PRESIDENT**. The President is the chief executive officer of the Neighborhood Association and shall (a) preside at all Neighborhood Association and Board meetings, (b) have the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power to appoint committees from among the Owners as the President decides is appropriate to assist in the conduct of the Neighborhood Association's affairs, and (c) subject to the control of the Board, have general supervision, direction and control of the Neighborhood Association's business.

3.6 **VICE PRESIDENT**. The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, fails or refuses to act. If neither the President nor the Vice President is available to perform the President's duties, the Board shall appoint another member of the Board to do so on an interim basis. The Vice President has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.7 **SECRETARY**. The Secretary shall (a) keep the minutes of all meetings of the Board and of the Neighborhood Association at the Neighborhood Association's principal office or at such other place as the Board may order, (b) keep the Neighborhood Association's seal in safe custody, (c) have charge of such books and papers as the Board may direct, (d) in general, perform the duties incident to the office of Secretary, (e) give, or cause to be given, notices of meetings of the Owners and of the Board required by these Bylaws or by law to be given, (f) keep a record book of Owners, listing the names, mailing addresses and telephone numbers of Owners, as furnished to the Neighborhood Association (***"Membership Register"***), and (g) record

in the Membership Register the termination or transfer of ownership by any Owner, together with the date of the transfer. The Secretary has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.8 **TREASURER/CHIEF FINANCIAL OFFICER.** The Treasurer or Chief Financial Officer is the Neighborhood Association's chief financial officer and is responsible for Neighborhood Association funds. The Treasurer or Chief Financial Officer shall (a) keep, or cause to be kept, full and accurate accounts and tax and business records of the Neighborhood Association, including accounts of all assets, liabilities, receipts and disbursements, (b) be responsible for the deposit of all funds in the name of the Neighborhood Association in such depositories as the Board designates, (c) disburse the Neighborhood Association's funds as ordered by the Board, and (d) render to the President and Directors, on request, an account of all transactions as Treasurer or Chief Financial Officer and of the Neighborhood Association's financial condition. The Treasurer or Chief Financial Officer has such other powers and duties as may be prescribed by the Board or these Bylaws.

ARTICLE IV
OWNERS

4.1 **OWNER VOTING RIGHTS.**

4.1.1 **Classes of Membership.** The Neighborhood Association has two (2) classes of Membership, as described in the Neighborhood Declaration. The Class A and Class B Memberships are voting Memberships.

4.1.2 **Interpretation.** Any provision of the Bylaws which requires the vote or written consent of a specified percentage of the Neighborhood Association's voting power (i.e., actions requiring more than merely the vote or written consent of a majority of a quorum), requires the approval of such specified percentage of all of the following: (a) the Class A Membership; (b) the Class B Membership (so long as a Class B Membership exists); (c) the Neighborhood Association's total voting power; and (d) the voting power represented by Owners other than Neighborhood Builder. Whenever a reference is made in these Bylaws or the Neighborhood Declaration to the Neighborhood Association's voting power, it is a reference to the voting power of the Class A and Class B Memberships.

4.2 **OWNER MEETINGS.**

4.2.1 **First Annual Meeting.** The first annual meeting of Owners, whether regular or special, shall be held no later than the date that is six (6) months after the first Close of Escrow in the Neighborhood.

4.2.2 **Regular Meetings of Owners.** Regular meetings shall be held at least annually on or about the anniversary date of the first annual meeting. Each First Mortgagee may designate a representative to attend all annual meetings.

4.2.3 **Special Meetings of Owners.** The Board shall call a special meeting of the Owners (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Neighborhood Association, or (c) on receipt of a written request for a

special meeting signed by Owners representing at least five percent (5%) of the Neighborhood Association's total voting power. The Secretary shall give written notice of any special meeting not less than ten (10) nor more than ninety (90) days before the date of the meeting at which members are required or permitted to take any action. The notice must state the date, time and place of the special meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a special meeting except as stated in the notice. Each First Mortgagee may designate a representative to attend all special meetings.

4.2.4 **Place**. Meetings of the Owners shall be held in the Neighborhood, or such other suitable place as proximate to the Neighborhood as practical and convenient to the Owners, as designated by the Board.

4.2.5 **Adjourned Meetings**. If a quorum is not present at the time and place established for a meeting, a majority of the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days after the original meeting date, at which meeting the quorum requirement is the presence in person or by proxy of Owners holding at least twenty-five percent (25%) of the Neighborhood Association's voting power. Such an adjourned meeting may be held without the notice required by these Bylaws if notice thereof is given by announcement at the meeting at which such adjournment is taken.

4.2.6 **Order of Business**. Meetings of Owners must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Neighborhood Association may adopt. The order of business at all meetings of the Owners is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

4.2.7 **Minutes, Presumption of Notice**. Minutes or a similar record of the proceedings of meetings of Owners, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters described therein. A recitation in the minutes executed by the Secretary that proper notice of the meeting was given constitutes prima facie evidence that such notice was given.

4.2.8 **Consent of Absentees; Waiver of Notice**. The actions taken at any meeting of Owners held without regular call and notice, are valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting, each of the Owners not present in person or by proxy signs (1) a written waiver of notice, (2) a consent to the holding of such meeting, or (3) an approval of the minutes thereof. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting. In addition, notice of such

meeting shall be deemed given to any person who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

4.2.9 **Quorum**. Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least twenty-five percent (25%) of the Neighborhood Association's voting power constitutes a quorum of the Membership. Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, despite the withdrawal of enough Owners to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of a quorum. If a meeting is actually attended, in person or by proxy, by Owners having less than one-third (1/3) of the Neighborhood Association's voting power, then no matter may be voted on except matters which were generally described in the notice of the meeting. No action by the Owners on any matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Governing Documents to approve the action.

4.2.10 **Majority of Quorum**. Unless otherwise provided in the Governing Documents, any action which may be taken by the Neighborhood Association may be taken by a majority of a quorum of the Neighborhood Association's voting power.

4.2.11 **Proxies**. Votes may be cast in person or by proxy. Proxies must be in writing, comply in form with the requirements of California Civil Code Section 5130, and be filed with the Secretary in advance of each meeting. Every proxy is revocable and automatically ceases to have any further legal effect after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any Person to the Owners must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted on, except it is not mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot must provide that, when the Owner specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person authorized to exercise the proxy and the length of time it will be valid. No proxy is valid concerning a vote on any matter described in California Corporations Code Section 7613(g) unless the general nature of the proposal was described in the proxy.

4.2.12 **Notice**. The Secretary shall send to each Owner of record, and to each first Mortgagee who has filed a written request for notice with the Secretary, a notice of each annual or special meeting. The notice must be sent by first-class mail, at least ten (10) but not more than forty-five (45) days before the meeting. The notice must state the purpose for the meeting as well as the day, hour and place where it is to be held. The notice may establish time limits for speakers and nominating procedures for the meeting. The notice must specify those matters the Board intends to present for action by the Owners, but, except as otherwise provided by law, any proper matter may be presented for action at the meeting. The notice of any meeting at which Directors are to be elected must include the names of all nominees when the notice is given to the Owners. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after the notice has been deposited in a regular depository of the United States mail. Such notice must be posted in a conspicuous place on the Neighborhood Association Property and is deemed served on an Owner on posting if no address for such Owner has been then furnished the Secretary.

4.2.13 **Matters Requiring Special Notice to Owners**. Notwithstanding any other provision of these Bylaws, approval by the Owners of any of the following proposals, other than by unanimous approval of those Owners entitled to vote, is not valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice: (a) removing a Director without cause; (b) filling vacancies on the Board; (c) approving a contract or transaction between the Neighborhood Association and one or more Directors, or between the Neighborhood Association and any entity in which a Director has a material financial interest; (d) amendment of the Articles; or (e) electing to wind up and dissolve the Neighborhood Association.

4.2.14 **Matters Requiring Secret Ballot**. Notwithstanding any other law or provision of the Governing Documents, an election regarding Assessments, selection of Board members, amendments to the Governing Documents, or the grant of exclusive use of Neighborhood Association Property under California Civil Code Section 4600 shall be held by secret ballot according to the procedures set forth in California Civil Code Section 5100 and Section 2.3.2 above.

4.3 **RECORD DATES**. The Board may fix a date in the future as a record date for determining which Owners are entitled to notice of any meeting of Owners. The record date so fixed must be not less than ten (10) nor more than sixty (60) days before the date of the meeting. If the Board does not fix a record date for notice to Owners, the record date for notice is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for determining the Owners entitled to vote at any meeting of Owners. The record date so fixed must be not less than ten (10) nor more than sixty (60) days before the date of the meeting. If the Board does not fix a record date for determining Owners entitled to vote, Owners on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting.

4.4 **ACTION WITHOUT MEETING**. Except for election of Directors, any action which may be taken at a meeting of the Owners may be taken without a meeting by written ballot of the Owners, according to the provisions of California Civil Code Section 5115. Solicitations for ballots must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Owner specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of (1) ballots which equal or exceed the quorum which would be required if the action were taken at a meeting, and (2) approvals which equal or exceed the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

ARTICLE V
AMENDMENTS

These Bylaws may be amended by the vote or written consent of Owners representing at least (a) a majority of the voting power of each class of the Owners, and (b) a majority of the

Neighborhood Association's voting power represented by Owners other than Neighborhood Builder; provided that the specified percentage of each class of Owners necessary to amend a specific provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that provision. These Bylaws may be amended by a majority of the entire Board, (1) at any time before the Close of Escrow for the sale of the first Condominium, or (2) if the amendment is within the Board's power to adopt without Owner approval pursuant to the California Corporations Code and either (a) the proposed amendment conforms the Bylaws to California law or the requirements of DRE, FHFA, FHA, VA, Fannie Mae, Ginnie Mae or Freddie Mac, or (b) the proposed amendment corrects a typographical error in the Bylaws. Any amendment to these Bylaws which materially affects the rights of Mortgagees as described in Article 11 or Section 13.2 of the Neighborhood Declaration must be approved by at least the percentage of Mortgagees specified in the applicable provision of Article 11 or Section 13.2 of the Neighborhood Declaration. If an amendment to these Bylaws materially affects matters listed in both Article 11 and Section 13.2 of the Neighborhood Declaration, then the amendment must be approved pursuant to the requirements of both Article 11 and Section 13.2 of the Neighborhood Declaration.

ARTICLE VI
MISCELLANEOUS

6.1 **VOTE TO INITIATE FIX IT LAW CLAIM**. Beginning on the date of the first annual meeting of the Owners, Neighborhood Builder relinquishes control over the Neighborhood Association's ability to decide whether to initiate a Fix It Law Claim. This means that Neighborhood Builder and Directors who are current employees or agents of Neighborhood Builder or elected by a majority of votes cast by Neighborhood Builder or elected by Neighborhood Builder and all other Persons whose vote or written consent is inconsistent with the intent of the preceding sentence, are prohibited from participating and voting in any decision of the Neighborhood Association or Owners to initiate a Fix It Law Claim.

6.2 **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 Neighborhood Association must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of Section 2.12.6 for withdrawing money from the Neighborhood Association's reserve accounts.

6.3 **CONFLICTS**. If any of these Bylaws conflict with any California law, such conflicting Bylaws shall be void on final court determination to such effect, but all other Bylaws shall remain in full force. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In case of any conflict between the Neighborhood Declaration and these Bylaws, the Neighborhood Declaration shall control.

6.4 **EXECUTION OF DOCUMENTS**. The Board 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 Neighborhood Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Neighborhood Association by any contract or pledge its credit or render it liable for any purpose in any amount.

6.5 **AVAILABILITY OF NEIGHBORHOOD ASSOCIATION DOCUMENTS.**

6.5.1 **Records To Be Maintained**. The Neighborhood Association shall keep at its principal office (or at such other place in or near the Neighborhood as the Board may prescribe) the Governing Documents and the Neighborhood Association's records, as defined in California Civil Code Section 5200, *et seq.* (collectively, the ***"Neighborhood Association Documents"***). The Neighborhood Association Documents shall be made available for inspection and copying by any Owner or the Owner's duly appointed representative for a purpose reasonably related to the Owner's interest as an Owner.

6.5.2 **Inspection Rights**. Subject to reasonable Rules and Regulations adopted from time to time by the Board, the Neighborhood Association shall make Neighborhood Association Documents available for the time periods and within the timeframes provided in California Civil Code Sections 5210 (a) and (b) for inspection and copying by an Neighborhood Association member, or the member's designated representative. The Neighborhood Association may bill the requesting member for the direct and actual cost of copying requested documents. The Neighborhood Association shall inform the member of the amount of the copying costs before copying the requested documents.

6.5.3 **Manner of Inspection**. The Neighborhood Association shall make the specified Neighborhood Association Documents available for inspection and copying in compliance with California Civil Code Sections 5205 and 5215. The inspection and copying rights provided in these Bylaws are subject to the rights and restrictions set forth in California Civil Code Sections 5205, *et seq.*

6.5.4 **Limitation on Information Disclosed**. The Neighborhood Association may withhold or redact information from the Neighborhood Association's Documents for any of the reasons as set forth in California Civil Code Section 5215.

6.5.5 **Distribution of Records on Sale or Transfer of Title**. No later than ten (10) days after the Neighborhood Association receives written request from any Owner, the Neighborhood Association shall provide to that Owner a copy of each of the documents listed in California Civil Code Section 4525 that have been requested by the Owner.

6.5.6 **Distribution of Budget, Minutes**. Owners must be notified in writing when the budget required in Section 2.12.1 is distributed or at the time of any general mailing to the entire Neighborhood Association Membership of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

6.6 **FISCAL YEAR**. The Board shall select the Neighborhood Association's Fiscal Year. The Fiscal Year is subject to change as the Board determines.

6.7 **CHANGES IN APPLICABLE LAW**. Provisions of various laws, including the Davis-Stirling Common Interest Development Act, various provisions of the California Corporations Code, including the General Corporation Law at Section 100, the Nonprofit Corporation Law at Section 5000, *et seq.*, and the Nonprofit Mutual Benefit Corporation Law at Section 7000, *et seq.*, or the Federal Fair Housing Act codified at Title 42 United States Code,

Section 3601, *et seq.*, may in the future be amended, in which case such amendment will be deemed to supplement or override applicable provisions of these Bylaws (as applicable).

ARTICLE VII
NOTICE AND HEARING PROCEDURE

7.1 **INITIAL COMPLAINT.** Persons who believe a violation of the Governing Documents has occurred may file a complaint with a Person designated by the Board on a form approved by the Board. The Board will commence the enforcement process and determine whether a violation has occurred. In its discretion, the Board may issue one or two violation letters to the Person alleged to have committed the violation (***"Respondent"***) or set a hearing described in Section 7.2 below. The Board may direct the Manager to assist the Board in any of the steps the Board chooses to take in enforcing the Governing Documents except that decisions made at hearings must be made by the Board.

7.2 **SCHEDULING HEARINGS.** A hearing before the Board to determine whether a sanction should be imposed may be initiated by the Board after receipt of at least one complaint or for violations noted during a physical inspection. To initiate a hearing, the Board must deliver to the Respondent a notice which includes the following:

7.2.1 **Complaint.** A written statement setting forth in ordinary and concise language the acts or omissions with which the Respondent is charged,

7.2.2 **Basis for Violation.** A reference to the specific provisions of the Governing Documents which the Respondent is alleged to have violated,

7.2.3 **Hearing Schedule.** The date, time and place of the scheduled hearing,

7.2.4 **Sanctions.** A list of sanctions which may be imposed at the hearing.

The date for the hearing may be not less than fifteen (15) days after the date the notice of hearing is mailed or delivered to the Respondent. The Respondent is entitled to attend the hearing, submit a statement of defense to the Board in advance of the hearing, or present a statement of defense and supporting witnesses at the hearing. If the Respondent does not attend the hearing, the Respondent waives these rights.

7.3 **CONDUCT OF HEARING.** The Board shall conduct the hearing in executive session (if so requested by the Respondent), and shall afford the Respondent a reasonable opportunity to be heard. Before a sanction will be effective, proof of notice and the invitation to be heard must be placed in the minutes of the meeting. Such proof is adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the Neighborhood Association officer or Board member who mailed or delivered such notice. The record of the meeting must contain a written statement of the results of the hearing and the sanction imposed (if any).

7.4 **IMPOSITION OF SANCTIONS.** After affording the Respondent an opportunity for a hearing before the Board, the Board may impose any one or more of the following sanctions: (a) levy a Special Assessment as authorized in the Neighborhood

Declaration; (b) suspend or condition the Respondent's right to use any recreational facilities the Neighborhood Association owns, operates or maintains commencing on a date in the future selected by the Board; (c) suspend the Respondent's voting privileges established under the Neighborhood Declaration; (d) enter into a Condominium to perform maintenance which, according to the Neighborhood Declaration, is the responsibility of the Respondent; or (e) record a notice of noncompliance if allowed by law. Any suspension of Membership privileges may not be for a period of more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including continuing failure to pay any Assessment after it becomes delinquent) may be imposed as long as the violation continues. Written notice of any sanctions to be imposed must be delivered to the Respondent personally, by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, by first class mail or certified mail return receipt requested, or any combination of the foregoing. No action against the Respondent arising from the alleged violation may take effect before five (5) days after the hearing. The Board shall not impose any sanction that will interfere with or prevent Neighborhood Builder's exercise of any rights reserved in Article 15 of the Neighborhood Declaration.

7.5 **LIMITS ON REMEDIES**. The Board's failure to enforce the Governing Documents does not waive the right to enforce them. The remedies provided by the Governing Documents are cumulative and not exclusive. However, any individual Owner must exhaust all available internal Neighborhood Association remedies prescribed by the Governing Documents before that Owner may resort to a court of law for relief concerning any alleged violation of the Governing Documents by another Owner.

[CERTIFICATE OF SECRETARY ON NEXT PAGE]

CERTIFICATE OF SECRETARY

I, the undersigned, certify that:

1. I am the duly elected and acting Secretary of Skye Neighborhood Association, a California nonprofit mutual benefit corporation (the ***"Neighborhood Association"***); and

2. The foregoing Bylaws comprising 30 pages (including this page) constitute the Bylaws of the Neighborhood Association duly adopted by the Neighborhood Association Board of Directors on September 6, 2018

I have signed this Certificate and affixed ~~the seal of the~~ Neighborhood Association effective on September 6, 2018.



Alex Plishner, Secretary

(SEAL)