

UNITED LAGUNA WOODS MUTUAL

A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION

PROPOSED
AMENDED
AND
RESTATED
BYLAWS
(_____ , 2017)

IF THIS DOCUMENT CONTAINS ANY RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, FAMILIAL STATUS, MARITAL STATUS, DISABILITY, NATIONAL ORIGIN, OR ANCESTRY, THAT RESTRICTION VIOLATES STATE AND FEDERAL FAIR HOUSING LAWS AND IS VOID, AND MAY BE REMOVED PURSUANT TO SECTION 12956.1 OF THE GOVERNMENT CODE. 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.

**BYLAWS
OF
UNITED LAGUNA WOODS MUTUAL**

A California Nonprofit Mutual Benefit Corporation
(A Cooperative Housing Association)

**ARTICLE I
NAME AND PRINCIPAL OFFICE**

This corporation is named the United Laguna Woods Mutual (hereinafter referred to as “Corporation”) and is a non-profit mutual benefit corporation organized and existing under the Davis-Stirling Common Interest Development Act (California *Civil Code* Sections 4000, *et seq.*) and the California non-profit mutual benefit corporations law (California *Corporations Code* Sections 7110 *et seq.*). The principal office for the transaction of the business of the Corporation is located at 24351 El Toro Rd., Laguna Woods, Orange County, California. The Board of Directors may, by resolution, change the principal office from one location to another within Orange County.

**ARTICLE II
PURPOSES AND POWERS; DEFINITIONS**

SECTION 1. PURPOSES

The purposes of the Corporation are:

- (a) To provide housing to its Members on a mutual nonprofit basis.
- (b) To manage, maintain, preserve, and administer the business of, a common interest development, specifically a stock cooperative (the “Development”), and to promote the health, safety, and welfare of the residents within the Development and to engage in any business or activity permitted under California law.

SECTION 2. POWERS

For the purposes above specified, this Corporation has the following powers:

- (a) To take such action as is permitted by its Articles of Incorporation and these Bylaws; and
- (b) To do any other act now or hereafter permitted under the Nonprofit Mutual Benefit Law which is not in conflict with the Articles of Incorporation or these Bylaws; and
- (c) To adopt, amend or repeal necessary or desirable rules and regulations, through its Board of Directors, to carry out the purposes of this Corporation, including disciplinary procedures, membership qualifications and termination of Member's rights.

SECTION 3. GOVERNANCE

The authority to establish policy and perform various administrative responsibilities and activities herein described is vested in a duly elected Board of Directors of volunteer Members.

SECTION 4. DEFINITIONS

- (a) Assessment – The monthly amounts which Members are bound to pay pursuant to the terms of their respective Occupancy Agreements.
- (b) Co-occupant – Any person who seeks to reside with a Qualifying Resident, who is approved by the Board of Directors for occupancy, and who shall certify on the application submitted to the Corporation that he or she satisfies at least one of the following criteria and shall provide such additional certification or information as the Corporation or its managing agent may require:
 - (i) at least forty-five years of age; or
 - (ii) a spouse of a Qualifying Resident; or
 - (iii) a co-habitant of a Qualifying Resident, or
 - (iv) a provider of primary economic support to a Qualifying Resident; or
 - (v) a provider of primary physical support to a Qualifying Resident.
- (c) Development – The Development shall mean the property and all buildings, structures, utilities, Common Areas, Units, and other improvements located thereon, and all appurtenances thereto, which are intended to create a stock cooperative as described by applicable law.
- (d) Golden Rain Foundation (also known as “GRF”) – means the Golden Rain Foundation of Laguna Hills, a California nonprofit mutual benefit corporation.
- (e) Governing Documents – All of the following, collectively, are Governing Documents: the Articles of Incorporation; the Bylaws; Occupancy Agreements; the Rules and Regulations; and any Resolutions or Policies of the Board; all as the same may be lawfully amended or modified from time to time.
- (f) Guarantor – A person or entity who provides security for a debt or otherwise guarantees the payment of a Member’s debt, including, but not limited to, all assessments, fines, fees and monetary penalties levied against the Unit or Member pursuant to the applicable Occupancy Agreement, Bylaws or other governing documents of the Corporation, and California law.
- (g) Sub-Lessee – Any person or persons who sub-leases a Unit from a Member for such period of time and on such forms as authorized by the Board of Directors, as shall be permitted by the Rules and Regulations adopted by the Board of Directors from time to time.
- (h) Member – A Shareholder entitled to Membership in the Corporation as provided herein. Regardless of the number of persons or entities comprising the Shareholder, no Unit shall, at any time, constitute or include more than one Membership in the Corporation. Membership in the Corporation may not be separated from right of exclusive occupancy of the Unit, and shall transfer upon transfer of the Unit.

- (i) Membership – “Membership” refers to the legal relationship and status of being a Member of the Corporation, and an entitlement to the rights and privileges appurtenant thereto as defined herein. Membership rights and privileges may be limited, suspended or terminated as provided in the Governing Documents and by applicable law. “Membership” may also refer to the Members collectively. A Member may not, either individually or jointly with one or more other persons or trusts, have more than one Membership in the Corporation without first obtaining the prior written approval of the Board of Directors. The granting of such approval shall be at the sole discretion of the Board of Directors. Memberships shall consist of persons who have been approved for Membership by the Board of Directors and to whom a Membership Certificate has been issued.
- (j) Occupancy Agreement – The agreement between the Corporation and its Members, respectively, under the terms of which said Members are entitled to enjoy possession of their respective Units and the use of facilities owned by the Corporation and the Golden Rain Foundation of Laguna Hills.
- (k) Qualifying Resident – Any person who is at least 55 years of age and who has been approved by the Board of Directors for occupancy of a Unit.
- (l) Shareholder – A Qualifying Resident approved by the Corporation to exclusively occupy a Unit and to whom a Stock and/or Membership Certificate of the Corporation has been issued. The following persons and entities are not eligible to become a Shareholder of the Corporation: a corporation (other than a nonprofit corporation), partnership or trust. Notwithstanding, a trust, whereby the person creating the trust is treated as the Substantial Owner of the Trust pursuant to the provisions of Section 671, and the following related sections of the Internal Revenue Code of 1986, as amended, may be eligible to become a Shareholder of the Corporation, if approved by the Corporation as set forth herein. Such eligible trusts shall be referred to in these Bylaws as “Trust”. Trusts may be approved as a Shareholder in the sole discretion of the Board and pursuant to the terms set forth herein.
- (m) Stock or Membership Certificates – The Corporation shall issue a Certificate of Membership upon admission to Membership. In the event a Membership is owned by two or more persons, a single certificate shall be issued in the name of all. Any or all of the signatures of officers on the certificate may be a facsimile.
- (n) Unit (also known as “Manor”) – A dwelling unit owned by the Corporation, and the Member’s separate interest; specifically, the exclusive right to occupy a specific portion of real property within the Development.
- (o) “Civil Code,” “Corporations Code,” “Davis-Stirling Common Interest Development Act,” and similar references shall refer to those California statutes so referenced and any and all comparable superseding statutes.

ARTICLE III
MEMBERSHIP; PERSONS PERMITTED TO OCCUPY UNITS

SECTION 1. WHO MAY BE A MEMBER

Only persons at least 55 years of age and who meet the financial requirements and other eligibility requirements as may be established from time to time by the Corporation are eligible for Membership in the Corporation.

In the event the person or persons seeking to become a Member are unable to satisfy the established financial requirements, the Corporation may, but is not obligated to, approve the person for Membership if a Guarantor enters into an agreement provided by the Corporation to become financially responsible for the expenses associated with such Membership and that Guarantor meets the financial requirements established by the Corporation from time to time.

SECTION 2. PERSONS ELGIBLE TO RESIDE IN A UNIT

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

The number of persons seeking to reside in the same Unit shall not exceed the maximum permissible number permitted by the Rules and Regulations of the Corporation.

SECTION 3. GUEST OCCUPANCY

Guest occupancy is permitted for a maximum period of 60 days per year per guest solely in conjunction with the occupancy by a Qualifying Resident or Co-Occupant.

SECTION 4. MEMBERSHIP APPLICATIONS

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

SECTION 5. MEMBERSHIPS

The authorized number of Memberships of the Corporation is 6,323.

SECTION 6. TRANSFER OF MEMBERSHIPS

Memberships shall not be transferable except as provided herein.

- (a) Death of Member with No Surviving Member. If, upon death of a Member leaving no surviving Member, a Membership in the Corporation passes by last will and testament, intestate succession or trust bequest, the legatee or distributee, if approved by the Corporation, may become a Member of the Corporation, if otherwise eligible as provided herein, by assuming the obligations of Membership in a manner satisfactory to the Corporation, and within three (3) months after the Member's death by paying all amounts due the Corporation. If a Member should die and the obligation of the Occupancy Agreement is not so assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the Membership from the deceased Member's estate in the manner provided in paragraph (b) of this section. Written notice of the death shall be equivalent to notice of intention to leave the Corporation. If the Corporation does not exercise said option, the provisions of paragraph (c) of this section shall be applicable. The references to Member in paragraphs (c) and (d) include the personal representative of a deceased Member.
- (b) Option of Corporation to Purchase. A Member desiring to leave the Corporation shall notify the Corporation of such intention in writing and the Corporation, for a period of thirty (30) days after written notification, shall have an option, but not the obligation, to purchase the Membership, together with all of the Member's rights with respect to the Unit, at an amount determined by the Corporation as representing the market value thereof, less any amounts due from the Member to the

Corporation under the Occupancy Agreement, and less the cost or estimated cost of all deferred maintenance, including cleaning, painting, redecorating, floor finishing and such repairs and replacements as the Corporation may deem necessary to place the Unit in suitable condition for another occupant. The purchase of the Membership by the Corporation shall immediately terminate a Member's rights and the Member shall relinquish their Membership Certificate and vacate the premises forthwith.

- (c) Procedure Where Corporation Does Not Exercise Option. If the Corporation should waive its right to purchase the Membership under the foregoing option, in writing, or if the Corporation should fail to exercise such option within the thirty (30) day period, the Member may sell his Membership to any person who has been duly approved by the Corporation as a Member. The Corporation, in approving a proposed transferee, shall not act contrary to any applicable federal, state, or local law or regulation prohibiting discrimination based on race, color, creed, disability, gender, sexual identity or any other legally protected class. When the transferee has been approved for Membership and has executed the prescribed Occupancy Agreement, the retiring Member shall be released of obligations under the Occupancy Agreement, provided all amounts due the Corporation have been paid.
- (d) Market Value. If the Corporation elects to purchase a Membership, the term "market value" means the amount which the Member would have received upon the sale of the Membership to the proposed transferee or, in the absence of a proposed transferee, the appraised value as determined by one or more qualified real estate appraisers, less:
 - (i) Any real estate, broker's, or other commissions or fees including reasonable attorney's fees;
 - (ii) Any recording and related costs of transfer;
 - (iii) Any costs of such repairs and replacements as are deemed necessary by the Corporation to place the Unit in suitable condition for occupancy;
 - (iv) Any amounts due from the Member to the Corporation and/or to the Golden Rain Foundation of Laguna Woods.

SECTION 7. MEMBERSHIP CERTIFICATES

The Corporation shall issue a Certificate of Membership upon admission to Membership. In the event a Membership is owned by two or more persons, a single certificate shall be issued in the name of all. Any or all of the signatures of officers on the certificate may be a facsimile.

SECTION 8. LOST, STOLEN OR DESTROYED CERTIFICATES

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

ARTICLE IV

DISPUTE RESOLUTION, DISCIPLINE AND TERMINATION OF MEMBERSHIP

SECTION 1. DISPUTE RESOLUTION

It is the intent of this Corporation to resolve disagreements and misunderstandings with Mutual Members, Qualifying Residents, Co-Occupants, Sub-Lessees, and their guests by conferences, hearings, internal dispute resolution (Civil Code Sections 5900-5920) and discussions in a non-adversarial, cooperative environment. If this is not possible, applicable disputes will be handled in conformance with Civil Code

SECTION 2. DISCIPLINE

- (a) The Board of Directors may take disciplinary action against any Member, Qualifying Resident, Co-Occupant, Sub-Lessee and/or guest for breach of these Bylaws, Rules or Regulations of the Corporation or any obligation of the Member under his or her Occupancy Agreement. Any disciplinary action authorized hereunder shall not act as a bar to the exercise of any other right or remedy available to the Corporation against any other party for any such breach. Members shall be required to include in any sublease with a Sub-Lessee of their Unit a provision whereby the Sub-Lessee shall be bound by these Bylaws and the applicable Occupancy Agreement and Rules and Regulations of the Corporation.
- (b) Disciplinary action authorized hereunder may consist of any or all of the following: (1) a fine with an amount determined by the Board of Directors; (2) suspension of the right to vote, and/or (3) suspension of the right to use any of the facilities of the Corporation until the violation is cured for each such breach and such suspension of the right to use facilities of the Corporation or GRF shall apply to the Members, all occupants of the Unit and guests. The Corporation may also make an application to a court of competent jurisdiction for legal or equitable relief.
- (c) Except with respect to traffic violations handled pursuant to a traffic violation enforcement program pursuant to a committee appointed per Article VIII of these Bylaws, and other than the exercise of the remedy provided in the Common Interest Development Law for collection of delinquent assessments, before any disciplinary action is taken, as authorized in Paragraph (b) above, a Member, Qualifying Resident, Co-Occupant, or Sub-Lessee, shall be entitled to a hearing pursuant to the provisions of paragraph (b) of Section 3 of this Article.
- (d) Except when a hearing is required by the traffic enforcement program, a person who is cited for a traffic violation may, in certain instances specified in the traffic rules enforcement program elect to waive the right to a hearing and submit to a traffic violation disciplinary action alternative as specified in the traffic rules enforcement program.
- (e) In addition, the Member shall be liable to the Corporation for costs of suit and a reasonable sum for attorneys' fees incurred in enforcing the Corporation's Governing Documents.

SECTION 3. TERMINATION OF MEMBERSHIP; DISCIPLINARY HEARINGS

- (a) Termination of Membership for Cause. A Membership may be proposed for termination for a violation of the Governing Documents or the Occupancy Agreement by the Board of Directors at any executive session of a regular or special meeting of the Board at which a quorum is present, by the affirmative vote of the majority of the Board.
- (b) Procedure for Termination and Discipline. After the determination that a Membership should be terminated, or that disciplinary action should be taken by the Corporation against a Member, Qualifying Resident, Co-Occupant, Sub-Lessee pursuant to Section 2 of this Article, other than the disciplinary measures set forth in Section 2, paragraphs (c) and (d), the procedure below shall be followed.
 - (i) A notice shall be sent by prepaid, first class and certified mail to the most recent address of the Member as shown on the Corporation's records, setting forth the nature of the proposed termination and/or discipline and the reasons therefor. Such notice shall be sent at least ten (10) days before the meeting of the Board to consider termination or discipline. The notice

to the Member of his or her proposed termination or discipline shall state the date, time, and place of the hearing.

- (ii) The Member being proposed for a termination or disciplined shall be given an opportunity to be heard and to present evidence in his or her behalf, either in person, by counsel, or by both, or in writing, at a hearing before the Board of Directors.
 - (iii) Following the hearing, the Board shall decide by the affirmative vote of the majority of the total number of Directors whether the Membership should be terminated or whether the Member should be disciplined in some other way. The decision of the Board shall be final.
 - (iv) If the Board imposes discipline or determines to terminate Membership, the Member shall be provided written notification of the decision within fifteen (15) days following the action. Termination of the Membership shall be effective upon the date set forth in the notice of termination.
 - (v) Following any Disciplinary Hearing, the Board may impose any fines or penalties pursuant to a previously adopted schedule of fines or penalties distributed to each Member.
- (c) Effect of Termination. In the event of a termination of Membership under Section 3, the terminated Member shall promptly deliver his or her Membership Certificate to the Corporation, endorsed in a manner satisfactory to the Corporation. The Corporation, at its election, thereupon shall either (1) repurchase said Membership at its market value as defined in Article III, Section 6(d), or (2) proceed with reasonable diligence to effect a sale of the Membership to a purchaser at a sales price acceptable to the Corporation. If, for any reason, the terminated Member should fail to deliver his or her endorsed Membership Certificates to the Corporation within ten (10) days after demand, said certificates shall be deemed to be canceled forthwith and new Membership Certificates may be reissued by the Corporation to a purchaser.

SECTION 4. FEES AND LIENS

The Board of Directors shall determine the amount to be paid as fees for use of facilities and for services rendered by the Corporation under the Occupancy Agreement. The Corporation may file a Notice of Delinquent Assessments pursuant to Section 5675 of the California Civil Code on each outstanding Membership to secure payment of any sums for any regular or special assessment, plus any costs of collection, late charges, and interest assessed in accordance with Section 5650 of the Civil Code, which may be due or may become due from the Member, including, without limitation, any sums due under the Occupancy Agreement or for use of the facilities or for services rendered by the Corporation. The Corporation may enforce payment of such sum in any manner permitted by law.

ARTICLE V MEETINGS OF MEMBERS

SECTION 1. PLACE OF MEETING

All meetings of the Members shall be held at the principal office of the Corporation or at any other place in Orange County, State of California, which may be designated by the Board of Directors.

SECTION 2. ANNUAL MEETING

The annual Meeting of Members shall be held on the Second Tuesday of October of each year at 9:30A.M. unless the Board of Directors fixes another time and/or date and so notifies the Members as provided in Section 4 of this Article V. If the scheduled date falls upon a legal holiday, the meeting shall be held the next business day at the same time and place.

SECTION 3. SPECIAL MEETING

- (a) Who May Call. A special meeting of the Members may be called at any time by any of the following: A majority of a quorum of the Board of Directors, the President of the Corporation, or five percent (5%) or more of the Members.
- (b) Calling Meetings by Members. If a special meeting is called by Members, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, which must fall within the authority of the Members, and shall be delivered personally or sent by registered mail or other facsimile transmission to the President, any Vice-President or the Secretary of the Corporation. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 4 of this Article V, that a meeting will be held and the date for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the one 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 is called by action of the Board of Directors.

SECTION 4. NOTICE OF MEMBERS' MEETING

- (a) General Notice Contents. All notices of meetings of Members shall be sent or otherwise given in accordance with subsection (c) of this section of this Article V not less than twelve (12) nor more than fifteen (15) days before the date of the meeting in accordance with Corporation Code 7511; provided that the date of any meeting called by Members shall be governed by Section 3(b) of this Article. The notice shall specify the place, date, and hour of the meeting. In the case of a special meeting, the notice shall also contain the general nature of the business to be transacted, and no other business may be transacted. Any vote by secret ballot requires ballots to be mailed no less than 30 days before the vote. In the case of the annual meeting, the notice shall also contain those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action.
- (b) Notice of Certain Agenda Items. If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s):
 - (i) Removing a Director without cause;
 - (ii) Filling vacancies on the Board of Directors by the Members;
 - (iii) Amending the Articles of Incorporation;
 - (iv) Approving a plan of distribution of assets, other than cash, in liquidation;
 - (v) Approving a plan to wind up and dissolve; and;
 - (vi) Grants of exclusive use of common area.

- (c) Manner of Giving Notice. Notice of any meeting of Members shall be given either personally or by first-class mail, or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Corporation or the address given by the Member to the Corporation for the purpose of notice. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail. Notice may be delivered electronically by e-mail, facsimile, or other electronic means, if the recipient has consented, in writing, to that method of delivery, which consent may be revoked, in writing.
- (d) Affidavit of Mailing Notice. An affidavit of the mailing or other means of giving any notice of any Membership meeting may be executed by the Secretary, or any authorized agent of the Corporation giving the notice, and if so executed, shall be filed and maintained in the minute book of the Corporation.

SECTION 5. QUORUM

Percentage Required. Fifteen percent (15%) of the voting power of the Corporation represented in person or by ballot, shall constitute a quorum for valid membership action, unless a different quorum is prescribed for a specific action by law.

SECTION 6. ADJOURNED MEETING

Any annual or special meeting of Members, whether or not a quorum is present, may be adjourned without assigning a date for a further meeting or to a date not less than seven (7) nor more than thirty (30) days thereafter by the vote of a majority of the Members represented at the meeting. In the absence of a quorum, no other business may be transacted at that meeting, except as provided in this Article. The Secretary shall give notice of any adjourned meeting if it was adjourned without adopting a date for a future meeting in the manner set forth in Section 4 above, provided that said notice shall be given at least seven (7) days prior to the date of said adjourned meeting.

SECTION 7. ORDER OF BUSINESS

The order of business at annual and special meetings of Members shall be determined by the Board of Directors, excepting those meetings called by Members in accordance with Article V, Section 3(b).

SECTION 8. VOTING

- (a) Eligibility to Vote
 - (i) No Member shall be eligible to vote who is shown on the books of account of the Corporation to be more than thirty (30) days delinquent in payment of any sums due to this Corporation, and who have been given notice thereof and the opportunity for a hearing concerning the delinquency and loss of voting rights.
 - (ii) Single Memberships in which two or more Members have a joint or undivided interest shall have only one (1) vote.
- (b) Manner of Casting Votes. Voting shall be by ballot (provided that any election of Directors must be by secret ballot and shall be held by mail in accordance with applicable law and Section 9 of this Article), except for a vote to adjourn a Membership meeting, which may be by voice, as follows:
 - (i) At every meeting of the Members, the Members entitled to vote shall have the right to cast one vote per Membership on each question. Any question brought before such meeting shall be decided by a majority vote of the number of Memberships whose record owners are entitled to vote, unless the question is one upon which by provision of statute, of the Articles of Incorporation or of these Bylaws, a different vote is required, in which case such provision shall be controlling.

- (ii) At all elections of Directors of this Corporation, the Members entitled to vote shall be entitled to cast one vote per Membership for each Director to be elected. The candidates for Director who receive the highest number of votes, not to exceed the number of Directors to be elected, shall be elected. Candidates for less than a three (3) year term shall be voted upon separately. Cumulative voting shall not be permitted.
- (c) Proxies Prohibited. Members eligible to vote at a meeting may do so in person, except for voting on matters where a secret ballot is required by statute. Proxy voting is strictly prohibited.

SECTION 9. ACTION BY WRITTEN CONSENT OF MEMBERS WITHOUT A MEETING

- (a) General. Any action that may be taken at any annual or special Meeting of Members may be taken without a meeting and without prior notice upon compliance with the provisions of this section.
- (b) Solicitation of Written Ballots. Any action requiring Member approval, other than those requiring a secret ballot, may be submitted for vote by written ballot without calling a meeting of the Members. The Corporation shall distribute one written ballot to each Member entitled to vote; such ballots shall be mailed or delivered, and shall be deemed received or given, in the manner required and at the time specified by Section 4 of this Article V for giving notice of special meetings; provided that the Secretary shall cause ballots in connection with the election of Directors to be mailed, along with a copy of each candidate's statement of background and qualifications, to each Member of the Corporation eligible to vote not less than thirty (30) days prior to the annual meeting or special meeting. Ballots shall be returned to the Corporation on the date and time set by the Corporation. Any ballots not received by the Corporation within said period shall not be counted. The Board of Directors shall establish such procedures as it may deem necessary to assure the integrity and secrecy of the election process. Except as otherwise provided in this paragraph (b), all solicitations of votes by ballot shall: (1) indicate the number of responses needed to meet the quorum requirement; (2) state the percentage of approvals necessary to pass the measure(s); and (3) specify a reasonable time by which the ballot must be received in order to be counted. Each ballot so distributed shall: (1) set forth the proposed action; and (2) provide the Members an opportunity to specify approval or disapproval of each proposal.
- (c) Initiation by Members. Action under this Section 9 may be initiated by a petition signed by twenty percent (20%) of the Membership.
- (d) Quorum: Majority. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time specified equals or exceeds the quorum required to be present at a meeting authorizing the action. The number of approvals must also equal or exceed the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. In any election of Directors, the provisions of paragraph (b)(ii) of Section 8 of this Article shall determine who is elected as a Director, and any written ballot listing candidates for Director which is marked by a Member "withhold" or otherwise marked in a manner indicating a vote for election of Directors is withheld, shall be counted as a ballot "cast" and hence as a part of the number required to equal or exceed the quorum required at a meeting for the election of Directors.
- (e) Revocation. No written ballot may be revoked after deposit in the mails or delivery to the Corporation.
- (f) Filing. All such written ballots shall be filed with the Secretary of the Corporation and maintained in the corporate records for a minimum period of one (1) year.

SECTION 10. RECORD DATE FOR MEMBER NOTICE, VOTING, AND GIVING CONSENTS AND OTHER ACTIONS

- (a) Significance of Record Date. Only Members of record on the date fixed herein are entitled to notice, to vote, to give consents, or take other action, except as otherwise provided in the Articles of Incorporation, by agreement, in the Davis-Stirling Common Interest Development Act or in the Nonprofit Mutual Benefit Law.
- (b) Record Date for Notices. The record date for determining those Members entitled to receive notice of a meeting of Members shall be sixty (60) days before the date of the meeting.
- (c) Record Date for Voting. The record date for determining the Members entitled to vote at a meeting of Members shall be sixty (60) days before the date of the meeting.

ARTICLE VI
DIRECTORS

SECTION 1. POWERS

- (a) General Corporate Powers. Subject to the provisions of the Nonprofit Mutual Benefit Law, the Civil Code and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the Members, the business and affairs of the Corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors. The powers of the Board of Directors shall include but not be limited to:
 - (i) Accepting or rejecting all applications for Membership and admission to occupancy of a Unit in the Corporation either directly or through an authorized representative;
 - (ii) Establishing monthly Assessments as provided in the Occupancy Agreement and assessing fees and charges and Special Assessments against Members, based on the operating budget of the Corporation;
 - (iii) Entering into agreements with lenders to protect their security interests if they make loans secured by an interest of a Member together with the Member's rights under the applicable Occupancy Agreement on such terms as the Board of Directors may determine appropriate and subject to this Corporations' Recognition Agreement;
 - (iv) Disciplining Members and terminating Membership and occupancy rights for cause as provided in these Bylaws;
 - (v) Promulgating such Rules, Regulations and policies pertaining to the property of the Corporation as it may deem best and which are consistent with these Bylaws, Articles of Incorporation, and Governing Documents. Such Rules may concern, but are not limited to: (i) the management and use of the Common Area by Members, Sub-Lessees, occupants, guests and invitees; (ii) use of a Unit, including pets, conduct, leasing/rental of Units and any aesthetic or architectural standards; (iii) discipline, including any procedure for conducting disciplinary proceedings and schedule(s) of monetary or other penalties for violation of the Governing Documents; (iv) standards and procedures for resolution of Assessment disputes, including for delinquent Assessment payment plans; (v) restrictions

on the use and parking of vehicles within the property; and (vi) any other matter within the authority of the Corporation as provided in the Governing Documents.

- (vi) Whenever new Rules are promulgated or Rules are amended, notice shall be given to Members and Qualifying Residents, subject to *Civil Code* 4340 or any superseding statute.
- (b) Delegation. The Board may delegate the management of the activities of the Corporation to any person or persons, or management company, provided that the activities and affairs of the Corporation shall be managed and all Corporate powers shall be exercised under the direction of the Board.

SECTION 2. NUMBER AND QUALIFICATION OF DIRECTORS

- (a) The authorized number of Directors shall be eleven (11), all of whom shall be Members in good standing and full-time (i.e., annual occupancy no less than ten (10) months), primary residents of the Corporation.
- (b) No Member shall be eligible to be elected to the Board of Directors who is shown on the books of account of the Corporation to be more than thirty (30) days delinquent in payment of any sums due to the Corporation under his or her Occupancy Agreement or otherwise, and who has been given notice thereof and the opportunity for a hearing concerning the delinquency. No employee of the Corporation or managing agent may be a Director.
- (c) Any Director or spouse who has a direct or indirect financial interest in any business organization or who becomes a director, officer or employee of any business, agency of any county, state or federal government (other than a charitable organization or any entity listed on any publicly traded exchange), incorporated or otherwise, which engages in business transactions with the Corporation, shall immediately disclose such relationship to the Board of Directors upon its occurrence.

ARTICLE VII DIRECTORS

SECTION 1. ELECTION AND TERM OF OFFICE OF DIRECTORS

- (a) Terms of Office. Directors of a sufficient number to fill vacancies created by expiring terms of office shall be elected at each annual meeting of Members. The directors shall serve for a term of three (3) years, with either four (4) directors or three (3) directors elected each year. All directors shall hold office until their successors are elected.
- (b) Nomination of Directors. Any Member may nominate any qualified Member as a candidate, including himself or herself pursuant to reasonable voting and election Rules and Regulations enacted or amended by the Board from time to time.

SECTION 2. VACANCIES

- (a) Generally. A vacancy shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation, or removal of a director; (ii) an increase in the authorized number of directors; or (iii) the failure of the Members to elect a sufficient number of directors at a meeting or election called for that purpose.

- (b) Resignation. Any director may resign upon giving written notice to any member of the Board, and unless the notice specifies otherwise, such resignation shall be effective immediately upon receipt.
- (c) Removal by Board. The Board may, by resolution or majority vote at a meeting of the Board in executive session, remove a director and declare his or her directorship vacant if he or she: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found to have breached any duty to the Corporation or standard of conduct of directors under applicable law, by a final order or judgment of court; (iv) fails to attend three (3) consecutive regular meetings of the Board that have been duly noticed; or (v) fails or ceases to meet the qualifications of a director as specified herein.
- (d) Removal by Members. The Members may remove directors by a vote of the majority of the eligible voting power of the Corporation, pursuant to applicable law and any Rules and Regulations promulgated by the Board.
- (e) Filling Vacancies. Vacancies on the Board shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director, in which case the vacancy shall be filled by the affirmative vote of a majority of the Members represented in person at a duly held meeting of the Members (at which a quorum is present). The Members may fill any vacancy or vacancies not otherwise filled by the Board, at an election conducted by Secret Ballot pursuant to the procedures herein. The successor director shall serve for the unexpired term of his or her predecessor.

SECTION 3. REGULAR MEETINGS; PLACE OF MEETINGS; MEETINGS BY TELEPHONE

- (a) Place of Board Meetings. Regular and special meetings of the Board of Directors may be held at any place within the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting.
- (b) Regular Board Meetings. Regular meetings shall be held at least monthly. Other regular meetings of the Board shall be held at such time as shall be fixed by the Board and communicated to all directors and all Members.
- (c) Special Board Meetings. Special meetings of the Board may be called for any purpose at any time by the President or by any two directors.
- (d) Notice to Directors. Notice of the time, place, and general purpose of special meetings of the Board shall be given to each director not later than four (4) days in advance of a special meeting in open session, or forty-eight (48) hours in advance of a special meeting held in executive session, except for any emergency meeting in which case notice shall be given to each director as promptly as practicable. Notice may be given to directors by first-class mail, postage prepaid, or by delivering personally or to the director's contact address as reflected in the Corporation records, or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, including, but not limited to, text messaging, telegraph, facsimile, electronic mail, or by any other method to which the director has consented in writing. Notice of any Board meeting shall be deemed satisfied for any director who signed a written waiver of notice or a written consent to holding the meeting, or who approved the minutes of the meeting.
- (e) Action by the Board at a Meeting: Meeting Requirement. The Board shall not take action on any item of business outside of a meeting, except as provided herein. Further, the Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except to conduct an emergency meeting if all members of the Board unanimously consent in writing to that action, and if the written consent or consents are filed with the minutes of the meeting. Written consent to conduct an emergency meeting may be transmitted electronically.

As used herein, “item of business” means any action within the authority of the Board, except actions the Board has validly delegated (including, without limitation, to its managing agent or an officer or committee); and “meeting” means any congregation of a majority of the Board at the same time to hear, discuss, or deliberate upon any item of business that is within the authority of the board, whether at the same place or by a teleconference in which a majority of Board members are connected electronically through audio or video or both, conducted in compliance with applicable law. Except for a meeting solely in executive session, the notice of such a teleconference meeting shall identify a physical location where Members of the Corporation may attend, and at least one member of the Board shall be present at that location, and Board members participating in the meeting must be able to hear one another and any Members of the Corporation speaking at the meeting.

- (f) Agenda Requirement. Except as described below, the Board may not discuss or take action on any item at a meeting, except an emergency meeting, unless the item was placed on the agenda included in the notice that was posted and distributed for the meeting. However, a member who is not on the Board may speak on issues not on the agenda, and a member of the Board, or a managing agent or other agent or employee of the Corporation, may do any of the following:
- (i) Briefly respond to statements made or questions posed at a meeting;
 - (ii) Ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities, whether in response to questions posed by a Member of the Corporation or on his or her own initiative;
 - (iii) Provide a reference or other resources for factual information to Corporation agents or employees;
 - (iv) Request agents or employees to report to the Board at a later meeting concerning any matter, or direct Corporation agents or staff to place a matter of business on a future agenda;
 - (v) Direct Corporation agents or staff to perform administrative tasks necessary to carry out any of the above;
 - (vi) Take action on an item of business not on the agenda if (i) a majority of the Board determines at the meeting that an emergency situation exists, as described herein, or (ii) if two-thirds of the Board members at the meeting (or, if less than two-thirds of the Board is present, then all Board members present) decide that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda was posted and distributed, or (iii) the item appeared on an agenda for a prior meeting of the Board that occurred not more than 30 calendar days previously and, at the prior meeting, action on that item was continued to the current meeting.
- (g) Quorum and Vote. A majority of the authorized number of directors, except any directorships deemed vacant, shall constitute a quorum for the transaction of any Board business, except to adjourn. Every act or decision done or made by a majority of the directors present at any meeting at which a quorum is initially present shall be deemed a valid act or decision of the Board. The Board may continue to transact business at a duly held meeting, where a quorum was initially present, notwithstanding the withdrawal, recusal, or departure of directors; however, any action must be approved by at least a majority of those directors initially present for that meeting, unless otherwise required herein, or by the Articles, or by law.
- (h) Adjournment. A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-

four (24) hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment.

- (i) Board Meetings in Open Session. With the exception of any meeting held in executive session, any Member of the Corporation may attend all Board meetings. Any Member may speak at any Board meeting subject to reasonable regulation of time limits and protocols established by the Board, and provided that the Member does not interrupt or interfere with the transaction of scheduled Board business.
- (j) Board Meetings in Executive Session. Members may not attend meetings of the Board in executive session except as permitted by law or by the Board. The Board may meet exclusively in executive session or, by vote of a majority of the directors present at a meeting at which a quorum is present, may adjourn a meeting in open session at any time for purposes of reconvening in executive session to discuss: (i) litigation in which the Corporation is or may become a party; (ii) matters relating to the formation of contracts with third parties; (iii) Member discipline; (iv) personnel matters; or (v) attorney-client privileged communications. The Board must meet in executive session if requested by a Member who may be subject to the collection of delinquent assessments, a fine, penalty, or other form of discipline and the Member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the meeting, taking into consideration the need to maintain confidentiality.
- (k) Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within thirty (30) days following the meeting. The minutes, proposed minutes, or summary of the minutes shall be distributed to any Member on request and on reimbursement of the Corporation's costs of making that distribution. Members shall be notified in writing at the time that the pro forma budget is distributed, or at the time of any general mailing to the entire membership, of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.
- (l) Members' Right to Notice of Meetings. Members shall be given notice of the time and place of Board meetings in open session, except for "emergency meetings," at least four (4) days prior to the meeting. Members shall be given notice of the time and place of Board meetings in executive session, except for "emergency meetings," at least two (2) days prior to the meeting. Notice shall be given by posting the notice in a prominent place or places within the Common Area, by mail or, if the Member has consented in writing, by email or facsimile transmission. Notice may also be given by delivery of the notice to each Unit in the development, or by newsletter or similar means of communication. For purposes of this Section, an "emergency meeting" of the Board means a meeting called by the President or by any two Members of the Board other than the President under circumstances that could not have been reasonably foreseen that require immediate attention and possible action by the Board and that of necessity make it impracticable to provide prior notice to the Members as required by applicable law.
- (m) Action Without Meeting by Unanimous Written Consent. To the extent that applicable law prohibits the Board from doing so, the Board may not take any action without a meeting. However, the Board may unanimously consent in writing to holding an emergency meeting by electronic communication, in compliance with these Bylaws and applicable law. If any other action is permitted by law to be taken by unanimous written consent, nothing herein shall be deemed to prohibit the same. Any such written consent(s) shall comply with applicable law and shall be filed with the Secretary and recorded in the minutes, and in such case the action by written consent shall have the same force and effect as a unanimous vote of the directors.

- (n) Compensation. Directors, officers, and members of committees shall not be entitled to compensation for their services. Acceptance of any direct or indirect compensation for Corporation service shall disqualify any person or entity for Corporation service as a director, officer, or committee member. "Compensation" does not include reimbursement for actual expenses as may be deemed just and reasonable by the Board.

ARTICLE VIII COMMITTEES

SECTION 1. COMMITTEES

The Board of Directors may designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. The duties and powers of these committees shall be determined by the Board, provided that the authority of the committee is limited to advising the Board and all final action is subject to the specific approval of the Board.

SECTION 2. APPOINTMENT TO COMMITTEES

All committee chairpersons and committee members (Directors) shall be Members and members of the Board of Directors and appointed by the President subject to approval of the Board of Directors. Executive Committees have no advisors and have final authority unless appealed to the Board as a whole. Non-voting advisors to the committees shall be designated by the appropriate Committee Chairperson, subject to the approval of the Board. The number of advisors per committee shall not be more than the number of Directors on the committee.

ARTICLE IX OFFICERS

SECTION 1. OFFICERS

The officers of the Corporation shall be a President, one or more Vice-Presidents, a Secretary, and a Chief Financial Officer who shall be the Treasurer, all of whom shall be Members and members of the Board of Directors. The Corporation may have such other officers as may be provided in these Bylaws or as are elected by the Board of Directors, or both. Officers shall perform the duties provided in these Bylaws and such other duties as may be authorized or directed by the Board of Directors.

SECTION 2. ELECTION OF OFFICERS

The officers of the Corporation shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board for a one (1) year term and until their successors are elected, subject to the rights, if any, of an officer under any contract of employment. A person elected to fill a vacancy shall serve only for the remainder of the term of his or her predecessor.

SECTION 3. REMOVAL OF OFFICERS

Any officer may be removed, with or without cause, by the Board of Directors, at any regular or special meeting of the Board.

SECTION 4. RESIGNATION OF OFFICERS

Any officer may resign at any time by giving written notice to the President, Secretary or Board of Directors. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective.

SECTION 5. VACANCIES IN OFFICES

A vacancy in any office shall be filled only in the manner prescribed in these Bylaws for regular election to that office.

SECTION 6. RESPONSIBILITIES OF OFFICERS

- (a) President. The President shall, subject to the control of the Board of Directors, generally supervise, direct, and control the business and the officers of the Corporation. The President shall preside at all meetings of the Members and at all meetings of the Board of Directors and the President shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.
- (b) Vice-Presidents. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors. The General Manager employed from time to time by the managing agent of the Corporation shall be a Vice President ex officio and, unless excused by the Board of Directors, shall attend all meetings of the Members and of the Board of Directors.
- (c) Secretary. The Secretary shall attend to the following:
 - (i) Corporate Records. The Secretary shall keep or cause to be kept, at the principal office of the Corporation, the original or a copy of the Articles of Incorporation, the Bylaws, minutes of all Board meetings, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings, the number of Members present or represented at Members' meetings, and the proceedings of such meetings.
 - (ii) Membership Records. The Secretary shall keep, or cause to be kept, at the principal office, a record of the Corporation's Members, showing the names of all Members and their addresses
 - (iii) Notices, Seal and Other Duties. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board of Directors required by the Bylaws to be given. The Secretary shall keep the seal of the Corporation in safe custody. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.
- (d) Treasurer. The Treasurer shall attend to the following:
 - (i) Books of Account. The Treasurer shall keep or cause to be maintained, adequate and correct books and records of accounts of the properties and business transactions and all matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.
 - (ii) Deposit and Disbursement of Money and Valuables. The Treasurer shall deposit or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors; shall disburse the funds of the Corporation as may be ordered by the Board of Directors; shall render to the President and Directors, when requested, an account of the transactions as Treasurer and of the financial condition of the Corporation; and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or by Bylaws. The foregoing shall not be applicable if such responsibilities have been delegated to a managing agent by the Corporation.

- (iii) Bond. If required by the Board of Directors, the Treasurer and any other officer, agent or employee of the Corporation handling or responsible for corporate funds shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control on their death, resignation, retirement or removal from office. The premiums on such bonds shall be paid by the Corporation.

ARTICLE X EXERCISE OF POWERS

SECTION 1. DUTIES AND LIABILITIES

- (a) Directors and Officers shall perform their duties, including duties as a member of any committee of the Board, in good faith, in a manner such person believes to be in the best interests of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.
- (b) The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances; and, unless so authorized by the Board of Directors, no officer, agent or other person shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

SECTION 2. TRANSACTIONS INVOLVING DIRECTORS

Subject to Section 7233 of the Nonprofit Mutual Benefit Law, which limits transactions involving one or more of its Directors, all contracts or other transactions between the Corporation and one or more of its Directors, or between the Corporation and any corporation, firm or association in which one or more of its Directors has a material financial interest or serves as a Director, shall be authorized, approved or ratified by the Board of Directors. The interested or common Director or Directors:

- (a) Shall not be present during the discussion of, nor the vote on such contract or transaction;
- (b) Shall not be counted in determining the presence of a quorum with respect to the approval or ratification of such contract or transaction; and
- (c) Shall not be allowed to vote on such contract or transaction, at the meeting of the Board which authorizes, approves or ratifies such contract or transaction.

SECTION 3. CORPORATE LOANS, GUARANTEES AND ADVANCES

- (a) Except as provided in paragraph (b) below; the Corporation shall not make any loan of money or property to or guarantee the obligation of any Director or officer of the Corporation.
- (b) The Corporation may advance money to a Director or officer of the Corporation for expenses reasonably anticipated to be incurred in the performance of the duties of such Director or officer, provided that in the absence of such advance such Director or officer would be entitled to be reimbursed for such expenses by the Corporation.

SECTION 4. ENDORSEMENT OF DOCUMENTS; CONTRACTS

Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance, or other instrument in writing and any assignment or endorsement thereof executed or entered into between the Corporation and any other person, when signed by the President or any Vice President, or any other Officers of the Corporation shall be valid and binding on the Corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons in such manner as from time to time shall be determined by the Board of Directors, and, unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

ARTICLE XI INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

SECTION 1. INDEMNIFICATION

To the fullest extent permitted by law, the Corporation shall indemnify its current and former directors, officers, employees, committee members, and other agents as defined by applicable law, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding by reason of the fact that such person is or was a person so described. As used in this section, “expenses” shall have the meaning defined by applicable law pertaining to indemnity of directors, and “proceeding” shall have the meaning defined by applicable law and shall include an action by or on behalf of the Corporation.

On written request to the Board by any person seeking indemnity under this Article, the Board shall promptly determine in accordance with any applicable laws, whether the standard of conduct set forth in such applicable law has been met, and if it has, the Board shall authorize indemnification. Any director seeking such indemnity shall not be entitled to vote on such request. If this prevents the formation of a quorum of directors, the Board shall promptly call a meeting of Members to determine whether the standard of conduct set forth by applicable law has been met, and if it has, the indemnity shall be deemed authorized.

To the fullest extent permitted by law and unless otherwise determined by the Board, expenses incurred by a director, officer or committee member, or agent in defending any proceeding described herein shall be advanced by the Corporation before final disposition of the proceeding. The Corporation may, however, require an undertaking by or on behalf of that person that the advance will be repaid if it is ultimately determined that the person is not entitled to indemnity for those expenses.

ARTICLE XII
RECORDS AND REPORTS

SECTION 1. FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January every year. The commencement date of the fiscal year herein established may be changed by the Board of Directors.

SECTION 2. BOOKS AND ACCOUNTS

Books and accounts of the Corporation shall be kept as prescribed by law, and shall contain the amount of the Assessments showing the dates when such assessments were levied and when the same are due, the amounts paid or credited to such account, and the balance thereof.

SECTION 3. AUDITING

After the close of each fiscal year, the books and records of the Corporation shall be audited by an independent certified public accountant, whose report shall be prepared and certified in accordance with generally accepted accounting procedures.

SECTION 4. INSPECTION RIGHTS OF MEMBERS

- (a) In accordance with *Civil Code* 5200 et seq., (or any comparable superseding statute) using the standard Records Request form, except as provided in paragraph (c) of this section 4, any Member of the Corporation may obtain from the Secretary or managing agent of the Corporation, on written demand and on the tender of the Secretary's usual charges for such a list, if any, a list of names and addresses of Members, as of the most recent record date for which that list has been compiled, or as of the date specified by the Member after the date of demand. The demand shall state the purpose for which the list is requested, which purpose must be reasonably related to such person's interest as a Member. This list shall be made available to any such Member by the Secretary or managing agent within ten (10) days after the demand is received and the Shareholder agrees, in writing, to pay any and all costs associated with the request. The membership list shall not include the information for Shareholders who have opted out pursuant to *Civil Code* Section 5220; or
- (b) Where the Corporation reasonably believes that the information requested above will be used for a purpose other than a purpose reasonably related to the requesting Member's interest as a Member or where it provides a reasonable alternative pursuant to paragraph (c) below, the Corporation may deny the Member access to the Membership list.
- (c) The Corporation may, within ten (10) business days after receiving a demand under paragraph (a) deliver to the person or persons making the demand (including the advancing of reasonable costs incurred by the Corporation) a written offer of an alternative method of achieving the purpose identified in said demand without providing access to or a copy of the Membership list. An alternative method which reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made under paragraph (a) shall be deemed a reasonable alternative, unless within a reasonable time after acceptance of the offer the Corporation fails to do those things which it offered to do. Any rejection of the offer shall be in writing and shall indicate the reasons the alternative proposed by the Corporation does not meet the proper purpose of the demand made pursuant to paragraph (a).
- (d) Any Member of the Corporation may, upon written request, inspect the accounting books and records and minutes of the meetings of the Members and open meetings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest as a Member, as provided by applicable law.

- (e) Per *Civil Code* Section 5205 *et seq.*, any inspection and copying under this section may be made in person or by an agent or attorney of the Member, designated by the Member in writing, and the right of inspection includes the right to copy.

SECTION 5. MAINTENANCE AND INSPECTION OF ARTICLES AND BYLAWS

The Corporation shall keep at its principal office the original or a copy of the Articles and Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

SECTION 6. INSPECTION BY DIRECTORS

In accordance with current law and subject to reasonable policies and procedures adopted by the Board, every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation excluding individual Units, unless otherwise provided by the Governing Documents. This inspection by a Director may be made in person or by an agent or attorney designated by the Director in writing, and the right of inspection includes the right to copy documents.

SECTION 7. ANNUAL REPORTS TO MEMBERS

The annual budget report shall be distributed to the Members pursuant to *Civil Code* 5300 *et seq.*, or any comparable superseding statute. The annual budget report shall be distributed to the Members within thirty (30) to ninety (90) days before the end of the Corporation's fiscal year. Such report shall contain the information required by Section 5300 of the *Civil Code*. Within thirty (30) to ninety (90) days before the end of each fiscal year, the Corporation shall distribute an annual policy statement per *Civil Code* Section 5310, or any comparable superseding statute.

SECTION 8. ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATION

No later than one hundred twenty (120) days after the close of the Corporation's fiscal year, the Corporation shall prepare and make available to each Member and Director a review of the financial statement of the Corporation, which shall be prepared annually in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Corporation exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized Officer of the Corporation that the statement was prepared without an audit from the books and records of the Corporation. Within 120 days after the close of the fiscal year, a copy of the Corporation's year-end report shall be distributed to Members.

ARTICLE XIII CONSTRUCTION

SECTION 1. CONSTRUCTION

Unless the context requires otherwise, the general provisions, rules of construction and definitions in Part 3 of the Corporations Code governing Nonprofit Mutual Benefit Corporations and the Davis-Stirling Common Interest Development Act shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a Corporation and a natural person.

SECTION 2. RULES OF ORDER

The rules contained in Robert's Rules of Order, as newly revised, shall govern all Members' meetings and Directors' meetings of the Corporation, except in instances of conflict between said Rules of Order and the Articles or Bylaws of the Corporation or provisions of law. In the event of any conflict, applicable

provisions of law will prevail over the Articles or Bylaws, and the Articles or Bylaws will prevail over the Rules of Order.

ARTICLE XIV AMENDMENTS

SECTION 1. AMENDMENT BY MEMBER

New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote or written assent of the Members as defined in Section 5034 of the California Nonprofit Corporation Law or any successor statute thereto. Further, where any provision of these Bylaws requires the vote of a larger proportion of the Members than otherwise required by law, such provision may not be altered, amended or repealed except by vote of such larger number of Members. No amendment may extend the term of a Director beyond that for which such Director was elected, except as stated in Article VII.

Notwithstanding the Board of Directors' rights to amend or repeal these Bylaws, as set forth in Section 3 below, the Members must approve any action that would: (a) materially and adversely affect the rights of Members as to voting, dissolution, or redemption, or transfer of Memberships; (b) increase or decrease the number of Memberships authorized in total or for any class; (c) effect an exchange, reclassification, or cancellation of all or any part of the Memberships; (d) authorize a new class of Membership; or (e) specify or change a fixed number of Directors or the maximum or minimum number of Directors or change from a fixed to a variable number of Directors or vice versa.

The power of Members to approve the repeal or amendment of Bylaws is subject to the further approval of the Members of a class if such action would: (a) materially and adversely affect the rights, privileges, preferences, restrictions, or conditions of that class as to voting, dissolution, redemption, or transfer of Memberships in a manner different than such action affects another class; (b) materially and adversely affect such class as to voting, dissolution, redemption, or transfer of Memberships by changing the rights, privileges, preferences, restrictions, or conditions of another class; (c) increase or decrease the number of Memberships authorized for such class; (d) increase the number of Memberships authorized for another class; (e) effect an exchange, reclassification or cancellation of all or part of the Memberships of such class; or (f) authorize a new class of Memberships.

SECTION 2. AMENDMENT PROPOSALS

Amendments may be proposed by the Board of Directors or by petition delivered to the Secretary and signed by Members entitled to exercise at least twenty percent (20%) of the voting power of the Corporation. A description of any proposed amendment shall accompany the notice of any regular or special meeting of the Members of the Corporation at which such proposed amendment is to be voted upon.

SECTION 3. AMENDMENT BY DIRECTORS

Subject to the rights of Members under Section 1 of this Article XIV, the Board of Directors may, by obtaining approval from two-thirds of the entire Board of Directors, adopt, amend or repeal Bylaws in the following circumstances:

- (a) Amendments to Section 1 and 2 of Article VI as necessary to facilitate any consolidation or merger with, or acquisition of the assets and liabilities of, any Laguna Hills Mutual Corporation.
- (b) Any amendments which the Board of Directors are permitted to make under Section 7150 of the Nonprofit Mutual Benefit Law.

ARTICLE XV LIQUIDATION

SECTION 1. DEDICATION OF ASSETS

The properties and assets of this Corporation are irrevocably dedicated to fulfillment of the objectives and purposes of this Corporation as set forth in Article II. This Corporation does not contemplate any distribution of assets, gains, profits or dividends to any of its Members, except in accordance with Chapter 4 of the Nonprofit Mutual Benefit Law, Sections 7410 *et seq.*

SECTION 2. DISSOLUTION

Upon the dissolution of this Corporation, after having received the affirmative vote of a majority of the Membership, or after approval by the Board of Directors and approval of the Members pursuant to Section 5034 of the California Nonprofit Corporation Law (or any successor statute) and after paying or adequately providing for the debts and obligations of this Corporation, the Directors or other persons in charge of the dissolution shall distribute any remaining assets to the then Members of this Corporation or other persons entitled thereto in accordance with Chapters 15, 16 and 17 of the California Corporations Code, Sections 8510 *et seq.* or the Directors may transfer said assets to a successor corporation with similar purposes to that of this Corporation.

If distribution of assets (other than the Units) is chosen, the distribution to Members shall be made by the method in which the assets were collected. All Units shall be returned to the Members as their interests may appear on the Certificates of Membership.