

2005 RESTATED

BYLAWS

OF

CASTAWAY CONDOMINIUM ASSOCIATION



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
ARTICLE I - NAME AND LOCATION	1
ARTICLE II - DEFINITIONS	1
2.1 Definitions	1
2.2 Declaration	1
2.3 Majority of a Quorum	1
2.4 Voting Power	1
ARTICLE III - MEETING OF MEMBERS AND VOTING	2
3.1 Annual Meetings.	2
3.2 Special Meetings.	2
3.3 Notice and Place of Meetings.	2
3.4 Quorum Requirements.	3
3.4.1 Quorum Requirements Generally.	3
3.4.1.1 Quorum for Valid Action on Association Matters.	3
3.4.1.2 Reduction in Quorum Percentage for Action on General Matters.	3
3.4.1.3 Quorum for Votes on Assessment Increases and of Removal of Directors from Office.	3
3.4.2 Members Represented by Proxy.	3
3.4.3 Effect of Departure of Members from Meeting.	4
3.5 Proxies.	4
3.5.1 Proxyholder Must Vote in Accordance with Instructions.	4
3.5.2 No Proxy Voting in Connection with Written Ballots.	4
3.5.3 Revocation of Proxies.	5
3.5.4 Form of Proxy.	5
3.6 Membership and Voting.	5
3.7 Eligibility to Vote	5
3.8 Action by Written Ballot Without Meeting.	6
3.8.1 Definition of Written Ballot	6
3.8.2 Written Ballots Generally	6
3.8.3 Content of Written Ballots	6
3.8.4 Balloting Time Requirements	6
3.8.5 Requirements for Valid Member Action by Written Ballot	7
3.8.6 Notification of Results of Balloting Process	7
3.8.7 Prohibition of Revocation	7
3.8.8 Conduct of Informational Meetings	7
3.9 Parliamentary Procedure	7
3.10 Adjourned Meeting.	8
3.10.1 Adjournment Generally.	8
3.10.2 Notice Requirements for Adjourned Meetings.	8

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
ARTICLE IV - MEETING AND ELECTION VOTE PROCEDURES; SECRET BALLOTS . . .	8
4.1 Election and Meeting Requirements, Generally.	8
4.2 Adoption of Election and Meeting Rules.	8
4.2.1 Access to Association Services.	9
4.2.2 Access to Common Meeting Spaces.	9
4.2.3 Candidate Qualifications and Nomination Procedures.	9
4.2.4 Election Matters.	9
4.2.5 Inspectors of Election or Voting.	9
4.3 Inspectors of Election.	10
4.3.1 Powers of Inspectors.	10
4.4 In-Meeting and Election Ballots.	11
4.5 Proxy Privacy and Vote Secrecy.	12
4.6 Announcement of Results.	12
4.7 Election and Meeting Materials.	12
ARTICLE V - BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE	12
5.1 In General.	12
5.2 Number.	13
5.3 Term of Office.	13
5.4 Removal; Vacancies.	13
5.5 Compensation.	13
5.6 Indemnification of Officers and Directors.	13
5.7 Resignation of Directors.	14
5.8 Authority of Board to Remove Directors.	14
ARTICLE VI - NOMINATION AND ELECTION OF DIRECTORS	14
6.1 Nomination.	14
6.2 Election	14
ARTICLE VII - MEETINGS OF DIRECTORS	15
7.1 Regular Meetings.	15
7.2 Special Meetings.	15
7.3 Emergency Meetings.	15
7.4 Notice of Meetings.	15
7.5 Quorum.	16
7.6 Executive Session.	16
7.7 Telephone Meetings.	16
7.8 Waiver of Notice.	16

TABLE OF CONTENTS (Continued)

<u>Description</u>	<u>Page</u>
7.9 Notice of Adjourned Meeting.	17
7.10 Action Without Meeting.	17
7.11 Open Meetings.	17
7.11.1 Notice to Members of Board Meetings.	17
7.11.2 Emergency Meetings.	17
7.11.3 Meeting.	18
 ARTICLE VIII - POWER AND DUTIES OF THE BOARD OF DIRECTORS	 18
8.1 Powers and Duties.	18
8.1.1 Powers of Non-Profit Corporation.	18
8.1.2 Appointment of Agents and Employees.	18
8.1.3 Insurance.	18
8.1.4 Contracts.	18
8.1.5 Payment of Taxes.	19
8.1.6 Contract for Reconstruction.	19
8.1.7 Entry for Maintenance.	19
8.1.8 Annual Budget.	19
8.1.9 Assessments.	19
8.1.10 Collection of Assessments.	19
8.1.11 Bank Accounts.	19
8.1.12 Accounting Books.	19
8.1.13 Reserve Funds.	20
8.1.14 Maintenance.	20
8.1.15 Personnel.	20
8.1.16 Rules and Regulations.	20
8.1.17 Acquisition and Disposition of Property.	20
8.1.18 Expenditure of Reserve Funds.	20
8.1.19 Transfer of Reserve Funds.	21
8.1.20 Prosecution and Defense of Lawsuits.	21
8.2 Management Agent.	21
8.3 Borrowing and Expenditures.	22
8.4 Delegation.	22
8.5 Procedure for Disciplinary Action	22
8.6 Limitation on Board Authority	23
 ARTICLE IX - OFFICERS AND THEIR DUTIES	 23
9.1 Enumeration of Officers.	23
9.2 Election of Officers.	24
9.3 Term.	24
9.4 Special Appointments.	24

TABLE OF CONTENTS (Continued)

<u>Description</u>	<u>Page</u>
9.5 Resignation and Removal.	24
9.6 Vacancies.	24
9.7 Duties.	24
9.7.1 President.	24
9.7.2 Vice- President.	25
9.7.3 Secretary.	25
9.7.4 Chief Financial Officer.	25
9.7.5 Delegation of Duties.	25
9.8 Agreements, Contracts, Deeds, Leases, etc.	25
 ARTICLE X - FINANCIAL STATEMENTS, OPERATING AND RESERVE ACCOUNTS ..	 26
10.1 Distribution of Financial and Other Statements to Members.	26
10.1.1 Pro Forma Operating Budget.	26
10.1.2 Year-End Report.	27
10.1.3 Annual Statement Regarding Delinquency/Foreclosure.	28
10.1.4 Right of Members to Copies of Minutes of Board Meetings.	28
10.1.5 Summary of Provisions of CC§1369.520.	28
10.1.6 Insurance Disclosure Requirements.	28
10.1.7 Use of Statutory Forms.	29
10.2 Review of Operating and Reserve Accounts.	29
10.3 Signatories of Reserve Accounts.	29
 ARTICLE XI - COMMITTEES	 30
 ARTICLE XII - BOOKS AND RECORDS	 30
12.1 Inspection by Members.	30
12.2 Rules for Inspection.	30
12.3 Availability of Minutes to Members.	30
12.4 Inspection by Directors.	31
12.4.1 Financial Records.	31
12.4.2 Unaudited Financial Statements.	31
12.4.3 Non-Privileged Contracts.	31
12.4.4 Board Approval of Proposals or Invoices.	31
12.4.5 Tax Returns.	31
12.4.6 Reserve Account Information.	31
12.4.7 Agendas and Minutes.	32
12.4.8 Membership Information; Member Opt-Out Rights.	32
12.4.9 Check Registers.	32
12.5 Enhanced Association Records.	32
12.6 Costs for Responding.	32

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
12.7 Minimum Time for Retaining Copies of Records.	33
12.7.1 Association Records.	33
12.7.2 Minutes.	33
12.8 Time for Responding to Document Requests.	33
12.8.1 Current Fiscal Year Records.	33
12.8.2 Previous Fiscal Year Records.	33
12.8.3 Financial Records.	33
12.8.4 Minutes.	34
12.8.5 Membership List.	34
12.9 Electronic Responses.	34
12.10 Information That Can Be Withheld.	34
12.10.1 Identity Theft.	34
12.10.2 Fraud.	34
12.10.3 Privileged Information.	35
12.10.4 Private Information.	35
12.10.5 Certain Member's Records.	35
12.10.6 Disciplinary Actions.	35
12.10.7 Personal Identification Information.	35
12.10.8 Executive Session Materials.	35
12.10.9 Personnel Records.	35
12.10.10 Interior Plans.	35
12.11 Explanation for Withholding.	36
12.12 Information that Can Not Be Withheld; Employee Information.	36
12.13 Unauthorized Use of Association Information.	36
12.14 Non-Liability for Good Faith Release of Information.	36
12.15 Non-Liability for Failure to Retain Records.	36
12.16 Liability for Failure to Release Records.	36
ARTICLE XIII - AMENDMENTS	37
13.1 Procedure.	37
13.2 Conflict Between Documents	37
CERTIFICATION OF SECRETARY	38

ARTICLE I

NAME AND LOCATION

The name of the corporation is Castaway Condominium Association, hereinafter referred to as the Association. The principal office of the Association shall be located in the County of San Diego, California.

ARTICLE II

DEFINITIONS

Section 2.1 The definitions contained in the Declaration are incorporated by reference herein.

Section 2.2 Declaration shall mean and refer to the 2005 Restated Declaration of Covenants, Conditions and Restrictions applicable to the property, recorded February 27, 2006, as Document No. 2006-0136254, and subsequent amendments thereto.

Section 2.3 *Majority of a Quorum* shall mean the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in Section 3.4.

Section 2.4 *Voting Power* shall mean those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time said matter is submitted to the Members.

ARTICLE III

MEETING OF MEMBERS AND VOTING

Section 3.1 Annual Meetings.

Regular annual meetings of the Association shall be held within thirty (30) days of the same day of the same month of each year at a time and place designated by the Board of Directors. The Board shall endeavor to hold annual meetings in the morning of the third Saturday of January.

Section 3.2 Special Meetings.

Special meetings of the members shall be called at any time by a majority of the Board of Directors, or by the president, or upon written request of the members representing five percent (5%) of the total voting power of the Association.

Section 3.3 Notice and Place of Meetings.

Written notice of each meeting of the members shall be given by, or at the direction of, the secretary by mailing a copy of such notice, first class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to all Members, addressed to the Member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Notice pursuant to this Section may also be given to Members by e-mail if authorized by Members on an individual basis, in writing, on a form provided by the Association. Such notice shall specify the place, day and hour of the meeting, along with those matters the Board 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. Except as otherwise provided by law, Members at special meetings may only act on those matters which have been listed in the meeting's notice.

If action is proposed to be taken at any meeting for approval for 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): (a) removing a director without cause; (b) filling vacancies in the Board of Directors by the members; (c) amending the Articles of Incorporation; (d) approving a contract or transaction in which a director has a material financial interest. Meetings shall be held within the Project or at a meeting place within the same County, as close to the Project as possible.

Section 3.4 Quorum Requirements.

Section 3.4.1 Quorum Requirements Generally.

The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Section 3.8 of these Bylaws:

3.4.1.1 Quorum for Valid Action on Association Matters.

In the case of a membership meeting or written ballot, the quorum shall be thirty-three and one-third (33⅓%) percent of the Members eligible to vote and represented in person or by proxy;

3.4.1.2 Reduction in Quorum Percentage for Action on General Matters.

If the minimum quorum percentage specified in subparagraph 3.4.1(i) above is not satisfied, the meeting may be adjourned to another time or place not less than forty-eight (48) hours nor more than thirty (30) days after the initial meeting date, and at the reconvened meeting the quorum percentage shall be reduced to twenty-five percent (25%) of the voting power of the Members. If this reconvened meeting is attended by less than one-third of the voting power of the Members (but a quorum is present) the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting; and

3.4.1.3 Quorum for Votes on Assessment Increases and of Removal of Directors From Office.

In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval or removal of any Director from office, the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code Section 1366 or comparable superseding statute. That quorum percentage is currently a majority of the total voting power of the Association.

Section 3.4.2 Members Represented by Proxy.

Members present at a membership meeting in person or by proxy shall be counted toward satisfaction of the quorum requirements specified herein.

Section 3.4.3 Effect of Departure of Members From Meeting.

The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

Section 3.5 Proxies.

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

Section 3.5.1 Proxyholder Must Vote in Accordance with Instructions.

In accordance with Section 3.5 above, proxies distributed in connection with the election of directors shall set forth the names of all individuals who are candidates for election to the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

Section 3.5.2 No Proxy Voting in Connection with Written Ballots.

Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Section 3.8.

Section 3.5.3 Revocation of Proxies.

Any proxy issued hereunder shall be revocable by the Member executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation; or (ii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. A proxy shall be deemed revoked when the secretary receives actual notice of the death or judicially declared incompetence of the issuing Member, or upon termination of such Member's status as an Owner in the Association.

Section 3.5.4 Form of Proxy.

Any form of proxy distributed to ten (10) or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited.

Section 3.6 Membership and Voting.

Membership shall be held as provided in the Declaration. The Members shall be Owners and shall be entitled to one (1) vote per each Unit. Only Members in good standing and not delinquent in dues or fines shall be entitled to vote. When more than one person holds an interest in any Unit, all such persons shall be Members. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Unit. The vote of a majority of votes at a meeting where a quorum is present, in person or proxy, shall decide any question brought before such meeting, unless the question is one upon which, by the express provision of statute or the Declaration, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control.

Section 3.7 Eligibility to Vote.

Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's property and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent

Member shall be entitled to receive notice ten (10) days in advance of the effective date of the loss of voting privileges and request such a hearing in accordance with the Declaration.

Section 3.8 Action by Written Ballot Without Meeting.

Section 3.8.1 Definition of Written Ballot.

A *written ballot* is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this Section. The term *written ballot* does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

Section 3.8.2 Written Ballots Generally.

Any matter or issue requiring the vote of the Members, other than the election of directors, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this Section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board.

Section 3.8.3 Content of Written Ballots.

Any written ballot distributed to the Members to vote on any issue other than the election of Directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

Section 3.8.4 Balloting Time Requirements.

Written ballots shall be distributed to all eligible Members at least fifteen (15) days prior to the final date the written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may be extended twice, for a reasonable period of time as set by the Board, only if the Board so notifies the Members in the balloting solicitation materials originally sent to Members.

Section 3.8.5 Requirements for Valid Member Action by Written Ballot.

Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum that would have been required to be present at a membership meeting if such a meeting had been convened to vote on the proposal; and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting. If the time for returning written ballots is extended in accordance with subparagraph 3.8.4 above, the reduced quorum percentage specified in Section 3.4.1(ii) shall apply during the extension period(s).

Section 3.8.6 Notification of Results of Balloting Process.

Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within thirty (30) days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

Section 3.8.7 Prohibition of Revocation.

Once exercised, a written ballot may not be revoked.

Section 3.8.8 Conduct of Informational Meetings.

Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

Section 3.9 Parliamentary Procedure.

Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt.

Section 3.10 Adjourned Meeting.

Section 3.10.1 Adjournment Generally.

Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than forty-five (45) days) by the vote of the majority of Members present at the meeting either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.

Section 3.10.2 Notice Requirements for Adjourned Meetings.

When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

ARTICLE IV

MEETING AND ELECTION VOTE PROCEDURES; SECRET BALLOTS

Section 4.1 Election and Meeting Requirements, Generally.

Notwithstanding any other law or provision of the Governing Documents, an election within the Association regarding assessments, selection of members of the Board, amendments to the Governing Documents, or the grant of exclusive use of Common Area property pursuant to Section 2.16 of the Declaration shall be held by secret ballot in accordance with the procedures set forth in this Article.

Section 4.2 Adoption of Election and Meeting Rules.

The Association shall adopt rules, in accordance with the procedures prescribed by Civil Code Section 1357.100 et. seq., that do all of the following:

Section 4.2.1 Access to Association Services.

Ensure that if any candidate or Member advocating a point of view is provided access to any Association media, newsletters, or Internet Web sites during a campaign, for purposes that are reasonably related to that election, equal access shall be provided to all candidates and Members advocating a point of view, including those not endorsed by the Board, for purposes that are reasonably related to the election. The Association shall not edit or redact any content from these communications, but may include a statement specifying that the candidate or member, and not the Association, is responsible for that content.

Section 4.2.2 Access to Common Meeting Spaces.

Ensure access to any Common Area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election.

Section 4.2.3 Candidate Qualifications and Nomination Procedures.

Specify the qualifications for candidates for the Board and any other elected position, and procedures for the nomination of candidates. A nomination or election procedure shall not be deemed reasonable if it disallows any Member from nominating himself or herself for election to the Board.

Section 4.2.4 Election Matters.

Specify the qualifications for voting, the voting power of each membership, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close.

Section 4.2.5 Inspectors of Election or Voting.

Specify a method of selecting one or three independent third parties as inspector, or inspectors, of election utilizing one of the following methods:

- (A) Appointment of the inspector or inspectors by the Board.
- (B) Election of the inspector or inspectors by the Members of the Association.

- (C) Any other method for selecting the inspector or inspectors.

Section 4.3 Inspectors of Election.

The Association shall select an independent third party or parties as an inspector of election. The number of inspectors of election shall be one or three. For the purposes of this Section, an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a Member of the Association, but may not be a member of the Board of Directors or a candidate for the Board of Directors or related to a member of the Board of Directors or a candidate for the Board of Directors. An independent third party may not be a person who is currently employed or under contract to the Association for any compensable services unless expressly authorized by rules of the Association adopted pursuant to Section 4.2.5.

An inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three inspectors of election, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the inspector or inspectors of election is prima facie evidence of the facts stated in the report.

Section 4.3.1 Powers of Inspectors.

The inspector or inspectors of election shall do all of the following:

- (A) Determine the number of memberships entitled to vote and the voting power of each.
- (B) Determine the authenticity, validity, and effect of proxies, if any.
- (C) Receive ballots. The sealed ballots at all times shall be in the custody of the inspector or inspectors of election or at a location designated by the inspector or inspectors until after the tabulation of the vote, at which time custody shall be transferred to the Association.
- (D) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.

- (E) Count and tabulate all votes. All votes shall be counted and tabulated by the inspector or inspectors of election in public at a properly noticed open meeting of the Board of Directors or Members. Any candidate or other Member of the Association may witness the counting and tabulation of the votes. No person, including a Member of the Association or an employee of the management company, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated.
- (F) Determine when the polls shall close.
- (G) Determine the result of the election. The results of the election shall be promptly reported to the Board of Directors of the Association and shall be recorded in the minutes of the next meeting of the Board of Directors and shall be available for review by Members of the Association.
- (H) Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with this Section and all applicable rules of the Association regarding the conduct of the election that are not in conflict with this Section.

Section 4.4 In-Meeting and Election Ballots.

Ballots and two preaddressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to every Member not less than 30 days prior to the deadline for voting. In order to preserve confidentiality, a voter may not be identified by name, address, or Unit number on the ballot. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including (1) the ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, the voter prints and signs his or her name, address, and Unit, that entitles him or her to vote, and (2) the second envelope is addressed to the inspector or inspectors of election, who will be tallying the

votes. The envelope may be mailed or delivered by hand to a location specified by the inspector or inspectors of election. The Member may request a receipt for delivery.

Section 4.5 Proxy Privacy and Vote Secrecy.

Any instruction given in a proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the Member's vote by secret ballot.

Section 4.6 Announcement of Results.

Within 15 days of the election, the Board shall publicize the results of an election in a communication directed to all Members.

Section 4.7 Election and Meeting Materials.

After tabulation, election ballots shall be stored by the Association in a secure place for no less than one year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by Association Members or their authorized representatives. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.

ARTICLE V

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 5.1 In General.

The activities and affairs of this Association shall be administered and overseen by, and the powers of the Association exercised under the direction of, a Board of Directors. The Board may delegate the management activities to any management company or managing agent, provided, however, that the activities and affairs of the Association shall be directed, overseen, and managed, and the corporate powers exercised, under the ultimate direction of the Board.

Section 5.2 Number.

The affairs of this Association shall be managed by a Board of three (3) Directors, all of whom must be members of the Association and in good standing. For purposes of qualifying for the Board of Directors, good standing shall mean a member that is current in their assessments, not have any outstanding fines, penalties or violations, and not currently an adverse party against the Association in pending litigation.

Section 5.3 Term of Office.

The term of office for Directors shall be one (1) year each. Unless sooner vacated, each Director shall hold office until the Director's term expires and a successor is elected.

Section 5.4 Removal; Vacancies.

Any or all directors may be removed without cause if such removal is approved by the affirmative vote of a majority of the total voting power of the Association, represented and voting at a duly held meeting. In the event of the death or resignation of a director his or her successor shall be filled by approval of the Board at a duly held meeting or by a sole remaining director, and shall serve for the unexpired term of his or her predecessor. The Members may elect a director at any time to fill any vacancy not filled by the directors. A vacancy created by removal of a director can be filled only by election of the Members.

Section 5.5 Compensation.

No director shall receive compensation for any service he or she may render to the Association unless approved by a vote of the membership as provided in Section 5.3 of the Declaration. Any director may be reimbursed for his or her actual expenses, if reasonable, incurred in the performance of his or her duties.

Section 5.6 Indemnification of Officers and Directors.

Each director, officer, and committee member shall be indemnified by the Association and the Members against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her by judgment or settlement in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director, officer, or committee member of the Association, except in cases of fraud, gross negligence or bad faith of the director, officer, or committee member in the performance of his or her duties.

Section 5.7 Resignation of Directors.

Except as provided in this paragraph, any director may resign, and such resignation shall be effective on giving written notice to the president, the secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

Section 5.8 Authority of Board to Remove Directors.

The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236 (relating to the standards of conduct of Directors); (iv) fails to attend three (3) unexcused consecutive regular meetings of the Board of Directors, or (v) is at any point ninety (90) days or more delinquent in payment of Assessments.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 6.1 Nomination.

Nomination for election to the Board of Directors shall be made pursuant to reasonable procedures adopted by the Board of Directors from time to time. Nominations may also be made from the floor at the annual meeting. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

Section 6.2 Election.

The election of the Board shall be conducted at the annual meetings of the Association. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Members shall not be entitled to cumulate their votes. Voting for directors shall be by secret written ballot.

ARTICLE VII

MEETINGS OF DIRECTORS

Section 7.1 Regular Meetings.

Regular meetings of the Board of Directors shall be held monthly or quarterly at such place within the Project and at such hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at another date and time to be set by the Board.

Section 7.2 Special Meetings.

Special meetings of the Board of Directors shall be held when called by written notice signed by the president of the Association, or by any two (2) directors.

Section 7.3 Emergency Meetings.

An emergency meeting of the Board may be called by the president of the Association, or by any two (2) directors other than the president, as provided in Section 7.11.2, herein.

Section 7.4 Notice of Meetings.

Notice of the time and place of regular and special Board meetings shall be posted in a prominent place or places within the Common Area and shall be communicated to the directors and Members not less than four (4) days prior to the meeting; provided that notice need not be given to any director who has signed a written waiver of notice or consent to holding the meeting. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association. Notice of the Board meetings shall be given by mail to any Member who has requested notification of Board meetings by mail, at the address requested by the Member. The notice for special Board meetings shall specify the time and place of the meeting and the nature of any special business to be considered, and shall be given to each director by any one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, facsimile or e-mail, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director, or (d) by telegram, charges prepaid. Notice of emergency Board meetings need not be communicated to Members, but shall be communicated to all directors in such a manner as is reasonable under the circumstances.

Section 7.5 Quorum.

A majority of the directors then in office, not counting vacancies, shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.

Section 7.6 Executive Session.

The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, matters that relate to the formation of contracts with third parties, litigation in which the Association is or may become involved, or to meet with a Member, upon the Member's request, regarding the Member's payment of assessments. The nature of any and all business to be considered in executive session shall first be announced in open session. In any matter relating to the discipline of an Association member, the Board of Directors shall meet in executive session if requested by that member, and the member shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the open session minutes of the Board of Directors immediately following the meeting.

Section 7.7 Telephone Meetings.

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

Section 7.8 Waiver of Notice.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 7.9 Notice of Adjourned Meeting.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of adjournment, and shall be posted at a prominent place within the Common Area.

Section 7.10 Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all directors, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

Section 7.11 Open Meetings.

This Section is intended to comply with the requirements of Civil Code Section 1363.05 entitled "The Common Interest Development Open Meeting Act", and in the event future legislation modifies said Act such that it is in conflict with the provisions herein, then the requirements of said Act shall control.

Section 7.11.1 Notice to Members of Board Meetings.

Members shall be given notice of the time and place of Board meetings as defined herein, except for an emergency meeting, at least four days prior to the meeting. Notice shall be given by posting the notice in a prominent place or places within the Common Area, and by mail to any Owner who had requested notification of Board meetings by mail, at the address requested by the Owner. Notice may also be given by mail or delivery of the notice to each Unit in the development, or by newsletter or similar means of communication.

Section 7.11.2 Emergency Meetings.

An emergency meeting of the Board may be called by the president of the Association, or by any two members of the governing body other than the president, without providing notice to the Members as set forth herein, if there are circumstances that would not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required herein.

Section 7.11.3 Meeting.

As used in this Section 7.11, *meeting* includes any congregation of a majority of the Members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

ARTICLE VIII

POWER AND DUTIES OF THE BOARD OF DIRECTORS

Section 8.1 Powers and Duties.

The Board of Directors shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration of the properties and may do all such acts and things as are not prohibited by the Declaration, Articles of Incorporation, or these Bylaws. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to and be responsible for the following, by way of illustration, but not limitation:

Section 8.1.1 Powers of Non-Profit Corporation.

Exercise all powers vested in the Association as a California non-profit corporation.

Section 8.1.2 Appointment of Agents and Employees.

Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

Section 8.1.3 Insurance.

Contract for and pay premiums for fire, casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time by the Association.

Section 8.1.4 Contracts.

Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor and services that may be required from time to time in relation to the Properties.

Section 8.1.5 Payment of Taxes.

Pay all taxes, and charges which are or would become a lien on any portion of the Common Areas.

Section 8.1.6 Contract for Reconstruction.

Contract for and pay for construction or reconstruction of any portion or portions of the Properties which have been damaged or destroyed and which are to be rebuilt.

Section 8.1.7 Entry for Maintenance.

Enter Unit as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Property.

Section 8.1.8 Annual Budget.

Preparation and adoption of an annual budget, in which there shall be established the contribution of each Member to the common expenses.

Section 8.1.9 Assessments.

Making assessments to defray the common expenses, as more fully set forth in the Declaration.

Section 8.1.10 Collection of Assessments.

Collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve and using the proceeds to administer the Association.

Section 8.1.11 Bank Accounts.

Opening of bank accounts on behalf of the Association and designating the signatories required.

Section 8.1.12 Accounting Books.

Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. All books and records shall be kept in accordance with generally accepted accounting practices;

Section 8.1.13 Reserve Funds.

Establishing and maintaining an adequate reserve fund for replacement, repair and maintenance of the Property as required by the Declaration.

Section 8.1.14 Maintenance.

Providing for the operation, care, upkeep, and maintenance of the Common Area;

Section 8.1.15 Personnel.

Designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Association, its property and the areas over which the Association is responsible and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;

Section 8.1.16 Rules and Regulations.

To adopt and publish rules and regulations governing the use of the Property and Units, and the personal conduct of the Owners and their guests thereon, and to establish and impose monetary penalties, temporary suspensions of an Owner's rights as a Member, or other appropriate discipline for the infractions thereof or for violations of provisions of Governing Documents, all as more fully set forth in Section 8.5 of these Bylaws, Section 5.5 and Article XII of the Declaration.

Section 8.1.17 Acquisition and Disposition of Property.

The Association shall have the power to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real or personal property in connection with the affairs of the Association subject to the limitation contained in the Declaration Section 5.3.1.

Section 8.1.18 Expenditure of Reserve Funds.

The Board of Directors may only expend funds designated as reserve funds for the purpose of repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association

is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

Section 8.1.19 Transfer of Reserve Funds.

The Board may authorize the temporary transfer of moneys from a reserve fund to the Association's general operation fund to meet short-term cashflow requirements or other expenses, if the Board has provided notice of its intent to consider the transfer in a notice of meeting to the Members per Sections 7.4 and 7.11.1. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. If the Board authorizes the transfer, the Board shall issue a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Association, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this Section. This Special Assessment is subject to the limitation imposed by §1366. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

Section 8.1.20 Prosecution and Defense of Lawsuits.

The Board has the authority to prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area or property owned by the Association, and any action in which all or substantially all of the Owners have an interest.

Section 8.2 Management Agent.

The Board of Directors shall have the power to employ a professional management agent or agents, at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize. The Board shall use every effort to secure a management contract that contains a termination clause permitting termination, with or without cause, upon no

more than sixty (60) days' written notice. No management contract shall have a term in excess of one (1) year.

Section 8.3 Borrowing and Expenditures.

The Board of Directors shall have the authority to borrow money on behalf of the Association and to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for the money borrowed or debts incurred so long as the vote or written consent of a majority of those voting of the Association where a quorum is represented has been obtained.

Section 8.4 Delegation.

The Board of Directors has the power to delegate its authority and powers to committees, officers or employees of the Association or to a manager employed by the Association. The Board may not delegate to any nonboard member the authority to make expenditures for capital additions or improvements chargeable against the reserve funds; to conduct hearings concerning compliance by an owner or his or her tenant, lessee, guest or invitee with the Declaration or rules and regulations promulgated by the Board, or to make a decision to levy monetary fines, impose Special Assessments against Units, temporarily suspend an Owner's rights as a Member of the Association or otherwise impose discipline following any such hearing; to make a decision to levy Annual or Special assessments; or to make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment of Assessments. The Board may delegate to a manager any of its other duties, powers or functions. Any such delegation shall be revocable by the Board at any time. Any such manager may be either a person or firm. The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

Section 8.5 Procedure for Disciplinary Action.

In addition to the general powers of enforcement as described in the Declaration, the Association may discipline its Members for violation of any of the provisions of the Governing Documents or Association Rules by suspending the violators' voting rights, privileges or use of the Common Area, and/or by imposing monetary penalties for such violations as long as the Association complies with the following procedure prior to imposition of discipline:

8.5.1 When the Board of Directors is to meet and consider or impose discipline upon a Member, the Board shall notify the Member, in writing, by either personal delivery or first class mail, at least ten (10) days prior to the meeting.

8.5.2 The notification shall contain, at a minimum, the date, time and place of meeting, the nature of the alleged violation for which a Member may be disciplined, and a statement that the Member has a right to attend and may address the Board at the meeting.

8.5.3 If the Board imposes discipline on a Member, the Board shall provide a notification of the disciplinary action by either personal delivery or first class mail to the Member within fifteen (15) days following the action. A disciplinary action shall not be effective against a Member unless the Board fulfills the requirements of this Section.

8.5.4 In the event Civil Code Section 1363(h) is amended or modified by the legislature, the Board may follow the disciplinary procedures set forth therein or any related statute and such action shall be deemed in compliance with these Bylaws.

Section 8.6 Limitation on Board Authority and Liability.

Except with the vote or written assent of Owners, the Board may not take certain actions as more fully specified in the Declaration in Section 5.3. Directors, officers, committee members, employees, or other agents of the Association have limited liability as more fully set forth in Section 5.4 of the Declaration.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 9.1 Enumeration of Officers. The officers of this Association shall be a president and vice-president who shall at all times be members of the Board of Directors, a secretary, a chief financial officer, and such other officers as the Board may from time to time by resolution create.

Section 9.2 Election of Officers.

The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 9.3 Term.

The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 9.4 Special Appointments.

The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 9.5 Resignation and Removal.

Any officer may be removed from office (but not from the Board, if he or she is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9.6 Vacancies.

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 9.7 Duties.

The duties of the officers are as follows:

Section 9.7.1 President.

The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. He or she shall have the general powers and duties of management usually vested in the office of the President of a

California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

Section 9.7.2 Vice-President.

The vice-president shall act in the place and stead of the president in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.

Section 9.7.3 Secretary.

The secretary shall record or cause to be recorded the votes and keep or cause to be kept the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the Members of the Association together with the addresses; and shall perform such other duties as required by the Board.

Section 9.7.4 Chief Financial Officer.

The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; shall keep proper books of account; shall prepare and shall distribute financial statements to each member as set forth in Article X.

Section 9.7.5 Delegation of Duties.

The foregoing duties may be delegated to a manager appointed by the Board.

Section 9.8 Agreements, Contracts, Deeds, Leases, etc.

All agreements, contracts, deeds, leases, promissory notes and other instruments of the Association shall be executed by the president or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE X

FINANCIAL STATEMENTS, OPERATING AND RESERVE ACCOUNTS

Section 10.1 Distribution of Financial and Other Statements to Members.

Financial statements and other information shall be distributed by the Association to all of its Members as described below:

Section 10.1.1 Pro Forma Operating Budget.

A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year:

10.1.1.1. The Association's estimated revenue and expenses on an accrual basis;

10.1.1.2. A summary of the Association's reserves based on the most recent review or study conducted pursuant to Civil Code §1365.5, which must be printed in bold type and include all of the following:

- (a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Properties that the Association is obligated to repair, replace, restore, or maintain (collectively "Association Capital Projects");
- (b) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital projects and the current amount of accumulated cash reserves actually set aside for Association Capital Projects; and
- (c) The percentage of the estimated amount of necessary cash reserves calculated under subparagraph (b), above, that represents the amount of accumulated cash reserves;

10.1.1.3. A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component of the Properties for which the Association is responsible, or to provide adequate reserves therefor; and

10.1.1.4. A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the future costs of repair, replacement, or additions to those major components of the Properties for which the Association is responsible; and

10.1.1.5. A statement as to the mechanism or mechanisms by which the Board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms; and

10.1.1.6. A statement that the Owners have a right to submit secondary addresses to the Association for the purposes of collection notices.

Section 10.1.2 Year-End Report.

Within one hundred-twenty (120) days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members: a balance sheet as of the end of the fiscal year, an operating (income) statement for the fiscal year, a statement of changes in financial position for the fiscal year, a statement advising Members of the place where the names and addresses of the current Members are located, and any information required to be reported under Corporations Code §8322 requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any director or officer of the Association and indemnifications and advances to officers or directors in excess of \$10,000 per year.

A review of the financial statement of the Association shall be prepared 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 Association 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 Association that the statement was prepared without an audit from the books and records of the Association.

**Section 10.1.3 Annual Statement Regarding Delinquency/
Foreclosure Policy.**

In addition to financial statements, the Board of Directors shall annually distribute not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments per Civil Code §1365(d). The Association shall also distribute the written notice described in Civil Code §1365.1(b) to each member during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

Section 10.1.4 Right of Members to Copies of Minutes of Board Meetings.

Members of the Association 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 Association of their right to have copies of the minutes of the meetings of the Board of Directors and how and where those minutes may be obtained.

Section 10.1.5 Summary of Provisions of CC§1369.520.

A summary of the provisions of Civil Code Section 1369.520, requiring the offer or use of alternative dispute resolution prior to the initiation of litigation, either by the Association or an Owner, for enforcement of the governing documents shall be annually delivered to the Members.

Section 10.1.6 Insurance Disclosure Requirements.

The Association shall prepare and distribute at least annually not less than thirty (30) nor more than ninety (90) days preceding the beginning of the Association's fiscal year to all its members a summary of the information required pursuant to Civil Code Section 1365(e) as to the Association's property, general liability, earthquake, flood, and fidelity insurance policies, if issued, and liability coverage for directors and officers of the Association.

Section 10.1.7 Use of Statutory Forms.

Disclosures required by this Article shall be summarized on the forms specified in Civil Code §1365.2.5(a) and distributed to the membership as set forth above.

Section 10.2 Review of Operating and Reserve Accounts.

The Board of Directors of the Association shall do all of the following:

10.2.1. Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.

10.2.2. Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis.

10.2.3. Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.

10.2.4. Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.

10.2.5. Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

10.2.6. Review the reserve study annually and consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

Section 10.3 Signatories of Reserve Accounts.

The signatures of at least two (2) persons, who shall be members of the Association's Board of Directors shall be required for the withdrawal of monies from the Association's reserve accounts.

ARTICLE XI

COMMITTEES

The Board may appoint committees as deemed appropriate in carrying out its purpose. No committee, regardless of Board resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California, also require members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees of the Board of Directors or the members of those committees; (f) approve any transaction to which the Association is a party and in which one (1) or more directors have a material financial interest.

ARTICLE XII

BOOKS AND RECORDS

Section 12.1 Members Inspection Rights.

After July 1, 2006, the Association shall make available Association Records and Enhanced Association Records for the time periods and within the time frames provided in Sections 12.7 and 12.8 for inspection and copying by a Member of the Association or the Member's designated representative. The provisions of this Article are intended to supersede the provisions of Sections 8330 and 8333 of the Corporations Code for requests after July 1, 2006, to the extent those Sections are inconsistent after that date.

Section 12.2 Member's Designee.

A Member of the Association may designate another person to inspect and copy the specified Association Records on the Member's behalf. The Member shall make this designation in writing.

Section 12.3 Inspection Location.

The Association shall make the specified Association Records available for inspection and copying in the Association's business office within the Project. If the Association does not have a business office within the Project, the Association shall make the specified Association Records available for inspection and copying at a place that the requesting Member and the Association agree upon. If the Association and the requesting Member cannot agree upon a place

for inspection and copying, or if the requesting Member submits a written request directly to the Association for copies of specifically identified records, the Association may satisfy the requirement to make the Association records available for inspection and copying by mailing copies of the specifically identified records to the Member by first-class mail within the time frames set forth in Section 12.8.

Section 12.4 Association Records.

For the purposes of this Article, "Association records" means all of the following:

Section 12.4.1 Financial Records.

Any financial document required to be provided to a Member in Civil Code Sections 1365 and 1368.

Section 12.4.2 Unaudited Financial Statements.

Interim unaudited financial statements, periodic or as compiled, containing any of the following: (i) balance sheet; (ii) income and expense statement; (iii) budget comparison; and (iv) general ledger. A "general ledger" is a report that shows all transactions that occurred in an association account over a specified period of time. The records described in this paragraph shall be prepared in accordance with generally accepted accounting principles.

Section 12.4.3 Non-Privileged Contracts.

Executed contracts not otherwise privileged under law. Privileged contracts shall not include contracts for maintenance, management, or legal services.

Section 12.4.4 Board Approval of Proposals or Invoices.

Written Board approval of vendor or contractor proposals or invoices.

Section 12.4.5 Tax Returns.

State and federal tax returns.

Section 12.4.6 Reserve Account Information.

Reserve account balances and records of payments made from reserve accounts.

Section 12.4.7 Agendas and Minutes.

Agendas and minutes of meetings of the Members, the Board of Directors and any committees appointed by the Board of Directors; excluding, however, agendas, minutes, and other information from executive sessions of the Board of Directors.

Section 12.4.8 Membership Information; Member Opt-Out Rights.

Membership lists, including name, property address, and mailing address, if the conditions set forth herein are met and except as otherwise provided herein. The Member requesting the list shall state the purpose for which the list is requested which purpose shall be reasonably related to the requester's interest as a Member. If the Association reasonably believes that the information in the list will be used for another purpose, it may deny the Member access to the list. If the request is denied, in any subsequent action brought by the Member, the Association shall have the burden to prove that the Member would have allowed use of the information for purposes unrelated to his or her interest as a Member. A Member of the Association may opt out of the sharing of his or her name, property address, and mailing address by notifying the Association in writing that he or she prefers to be contacted via the alternative process described in subdivision (c) of Section 8330 of the Corporations Code. This opt-out shall remain in effect until changed by the Member.

Section 12.4.9 Check Registers.

Check registers.

Section 12.5 Enhanced Association Records.

For purposes of this Article, "Enhanced Association Records" means invoices, receipts and canceled checks for payments made by the Association, purchase orders approved by the Association, credit card statements for credit cards issued in the name of the Association, statements for services rendered, and reimbursement requests submitted to the Association, provided that the person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request.

Section 12.6 Costs for Responding.

The Association may bill the requesting Member for the direct and actual cost of copying and mailing requested documents. The Association shall inform the Member of the amount of the copying and mailing costs, and the Member shall agree to pay those costs, before copying and sending the requested documents.

In addition to the direct and actual costs of copying and mailing, the Association may bill the requesting Member an amount not in excess of ten dollars (\$10) per hour, and not to exceed two hundred dollars (\$200) total per written request, for the time actually and reasonably involved in redacting the Enhanced Association Records. The Association shall inform the Member of the estimated costs, and the Member shall agree to pay those costs, before retrieving the requested documents.

Section 12.7 Minimum Time for Retaining Copies of Records.

The minimum time periods for which specified records shall be retained is as follows:

Section 12.7.1 Association Records.

Association Records shall be made available for the current fiscal year and for each of the previous two fiscal years.

Section 12.7.2 Minutes.

Minutes of Member and Board meetings shall be permanently made available. If a committee has decision making authority, minutes of the meetings of that committee shall be made available commencing January 1, 2007, and shall thereafter be permanently made available.

Section 12.8 Time for Responding to Document Requests.

The time frames in which access to specified records shall be provided to a requesting Member is as follows:

Section 12.8.1 Current Fiscal Year Records.

Association Records prepared during the current fiscal year, within 10 business days following the Association's receipt of the request.

Section 12.8.2 Previous Fiscal Year Records.

Association Records prepared during the previous two fiscal years, within 30 calendar days following the Association's receipt of the request.

Section 12.8.3 Financial Records.

Any record or statement available pursuant to Civil Code Sections 1365 or 1368, within the time frame specified therein.

Section 12.8.4 Minutes.

Minutes of Member and Board meetings, within the time frame specified in subdivision (d) of Civil Code Section 1363.05. Minutes of meetings of committees with decision making authority for meetings commencing on or after January 1, 2007, within 15 calendar days following approval.

Section 12.8.5 Membership List.

Membership list, within the time frame specified in Section 8330 of the Corporations Code.

Section 12.9 Electronic Responses.

Requesting parties shall have the option of receiving specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that does not allow the records to be altered. The cost of duplication shall be limited to the direct cost of producing the copy of a record in that electronic format.

Section 12.10 Information That Can Be Withheld.

Except as otherwise provided herein, the Association may withhold or redact information from the Association Records for any of the following reasons:

Section 12.10.1 Identity Theft.

The release of the information is reasonably likely to lead to identity theft. For the purposes of this Section, "identity theft" means the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money, or property. Examples of information that may be withheld or redacted pursuant to this Section include bank account numbers of Members or vendors, social security or tax identification numbers, and check, stock, and credit card numbers.

Section 12.10.2 Fraud.

The release of the information is reasonably likely to lead to fraud in connection with the Association.

Section 12.10.3 Privileged Information.

The information is privileged under law. Examples include documents subject to attorney-client privilege or relating to litigation in which the Association is or may become involved, and confidential settlement agreements.

Section 12.10.4 Private Information.

The release of the information is reasonably likely to compromise the privacy of an individual Member of the Association.

Section 12.10.5 Certain Member's Records.

Records of a-la-carte goods or services provided to individual Members of the Association for which the Association received monetary consideration other than assessments.

Section 12.10.6 Disciplinary Actions.

Records of disciplinary actions, collection activities, or payment plans of homeowners other than the homeowner requesting the records.

Section 12.10.7 Personal Identification Information.

Any person's personal identification information, including, without limitation, social security number, tax identification number, driver's license number, credit card account numbers, bank account number, and bank routing number.

Section 12.10.8 Executive Session Materials.

Agendas, minutes, and other information from executive sessions of the Board of Directors, except for executed contracts not otherwise privileged.

Section 12.10.9 Personnel Records.

Personnel records other than the payroll records required to be provided under Section 12.12.

Section 12.10.10 Interior Plans.

Interior architectural plans, including security features, for individual homes.

Section 12.11 Explanation for Withholding.

If requested by the requesting homeowner, when the Association denies or redacts records, it shall provide a written explanation specifying the legal basis for withholding or redacting the requested records.

Section 12.12 Information That Can Not Be Withheld; Employee Information.

Except as provided by the attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by the employee's name, social security number, or other personal information.

Section 12.13 Unauthorized Use of Association Information.

The Association Records, and any information from them, may not be sold, used for a commercial purpose, or used for any other purpose not reasonably related to a Member's interest as a Member. The Association may bring an action against any person who violates this Article for injunctive relief and for actual damages to the Association caused by the violation. This Section may not be construed to limit the right of an Association to damages for misuse of information obtained from the Association Records pursuant to this Article or to limit the right of the Association to injunctive relief to stop the misuse of this information. The Association shall be entitled to recover reasonable costs and expenses, including reasonable attorney's fees, in a successful action to enforce its rights under this Section.

Section 12.14 Non-Liability for Good-Faith Release of Information.

Neither the Association, nor any officer, director, employee, agent or volunteer of the Association shall be liable for damages to a Member of the Association as the result of identity theft or other breach of privacy because of the failure to withhold or redact that Member's information under this Article unless the failure to withhold or redact the information was intentional, willful, or negligent.

Section 12.15 Non-Liability for Failure to Retain Records.

There shall be no liability pursuant to this Article for failing to retain records for the periods specified herein that were created prior to January 1, 2006.

Section 12.16 Liability for Failure to Release Records.

A Member of the Association may bring an action to enforce the Member's right to inspect and copy the Association Records. If a court finds that the Association unreasonably

withheld access to the Association Records, the court shall award the Member reasonable costs and expenses, including reasonable attorney's fees, and may assess a civil penalty of up to five hundred dollars (\$500) for the denial of each separate written request. A cause of action under this Section may be brought in small claims court if the amount of the demand does not exceed the jurisdiction of that court. A prevailing Association may recover any costs if the court finds the action to be frivolous, unreasonable, or without foundation.

ARTICLE XIII

AMENDMENTS

Section 13.1 Procedure.

These Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of a quorum of the Association. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Section 13.2 Conflict Between Documents.

In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with the provisions of the California Common Interest Subdivision Act or the Mutual Benefit Nonprofit Corporations Code, the provisions of said statutes shall control.

CERTIFICATION OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS;

The undersigned, Secretary of Castaway Condominium Association, a California nonprofit corporation, does hereby certify that the above and foregoing Bylaws were duly adopted by the Board of Directors and Members of the Corporation on the SECOND day of February, 2006, and that they now constitute the Bylaws of said Corporation.

Dated: 2/2/06

Timothy Gillick
Secretary

Castaway Condominium Association

Timothy Gillick
[Name Printed]