

**RESTATED
BYLAWS**

OF

SUN CITY LINCOLN HILLS COMMUNITY ASSOCIATION
Revised 6/2/09

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**BYLAWS
OF
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**ARTICLE I
Recitals and Definitions**

Section 1.01. Name of Association. The name of this corporation shall be Sun City Lincoln Hills Community Association and shall be referred to in these Bylaws as the "Association."

Section 1.02. Association Is Nonprofit. The Association has been formed pursuant to the California Nonprofit Corporation Law as a nonprofit mutual benefit corporation.

Section 1.03. Specific Purpose. The specific and primary purpose of the Association shall be:

(a) to own, repair, maintain and manage the Common Areas and Common Facilities within the Sun City Lincoln Hills common interest development located in the City of Lincoln, County of Placer, State of California ("Sun City Lincoln Hills");

(b) to maintain individual Lots and the Residences located thereon to the extent and in the manner more particularly described in the Declaration or in any Supplemental Declaration subsequently recorded with respect to any Phase of Sun City Lincoln Hills; or

(c) to enforce the Rules and Regulations of the Association adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration;

(d) maintenance of certain public areas of the development as specified in the Declaration; and

(e) to otherwise enhance the recreational, health, safety, social and leisure interests of its Members and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 1.04. Definitions.

(a) City. "City" means the City of Lincoln, State of California.

(b) County. "County" means the County of Placer, State of California.

(c) Declaration. "Declaration" means the Master Declaration of Covenants, Conditions and Restrictions for Sun City Lincoln Hills, Recorded on January 26, 1999,

as Document No. 99-0006621 as such Declaration may from time to time be supplemented, amended or modified by a duly Recorded subsequent Declaration, or amendment thereto.

(d) Good Standing. "Good Standing" is a term used in these Bylaws and the other Governing Documents of the Association in reference to those Members who are entitled to vote at any time a determination of the Voting Power of the Association is made. To be considered in Good Standing and thus eligible to vote, a Member must be current in the payment of all Assessments levied against the Member's Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted by the Association in accordance with Section 13.06 of the Declaration. A Member's Good Standing shall be determined as of the record date established in accordance with Section 5.08, below.

(e) Lot. "Lot" shall mean any legally subdivided parcel within Sun City Lincoln Hills which is identified as a numbered lot on any final Subdivision Map for Sun City Lincoln Hills, and which is intended for the construction and use of only one single family Residence. Unless otherwise expressly indicated, any reference in these Bylaws to a "Lot" shall also include the Residence and other improvements constructed thereon. As used herein, the term "Lot" shall, to the extent reasonably necessary to effectuate the intent or context of any portion of this Declaration or any Supplemental Declaration, include a Condominium Unit or any other Separate Interest, as that term is defined in Section 1351(1) of the California Civil Code.

As used herein, the term "Lot" shall not include Common Areas or improvements thereon, or Common Area Lots (which are normally designated as lettered or numbered lots on a Recorded Subdivision Map), or (with the exception of any Condominium or similar Separate Interest described above) any legally subdivided parcels within Sun City Lincoln Hills which are intended for purposes other than construction and use of a single family Residence.

(f) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in Section 5.05, below. Any Member may be represented at a membership meeting by proxy (see Section 4.05, below).

(g) Voting Power "Voting Power" means those Members who are in Good Standing and eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at the time any determination of the Voting Power of the Association's Members is made.

(h) Other Definitions Incorporated by Reference In addition to the foregoing terms which are frequently used in these Bylaws, any other capitalized terms used herein which are defined in the Declaration shall have the same meaning when used in these Bylaws unless the context clearly indicates a contrary intention.

ARTICLE II
Location of Principal Office

The general office for the transaction of business of the Association and the principal place of business of the Association shall be within the Orchard Creek Lodge or such other place within the County as the Board may from time to time designate by resolution.

ARTICLE III

Membership

Section 3.01. Members of the Association. All Owners of Lots in Sun City Lincoln Hills shall be Members of the Association and all memberships shall be appurtenant to, and may not be separated from, ownership of a Lot. The rights of Owners to occupy residences within Sun City Lincoln Hills shall be subject to the age restrictions and qualifications set forth in Section 8.01(a) of the Declaration.

Section 3.02. Term of Membership. Each Owner shall remain a Member of the Association until he or she is no longer the Owner of Record of the Lot in Sun City Lincoln Hills to which the membership is appurtenant. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's Membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).

Section 3.03. Multiple Ownership of Lots. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all persons shall be deemed to be one Member for voting purposes. When title to a Lot is held in more than one name, any co-Owner shall be entitled to vote the membership, unless the secretary of the Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one of the co-Owners attempts to vote the membership, the Secretary of the Association or the inspector of elections, if an inspector has been appointed pursuant to Section 7.05(e), below, shall be empowered to disqualify the vote of that membership. Subject to the requirements of Section 3.04(a) below, all Owners who satisfy the residency requirements set forth in Section 8.01(a) of the Declaration shall have equal rights as Members to use and enjoy the Association's Common Areas and Common Facilities.

Section 3.04. Furnishing Evidence of Membership

(a) Notification from Secretary. A person shall not be entitled to exercise the rights of a Member until such person has advised the secretary in writing that he or she is qualified to be a Member under Section 3.01, above, and, if requested by the Association's secretary, has provided the secretary with evidence of such qualification in the form of a copy of a recorded grant deed, a currently effective policy of title insurance or other confirming documentation acceptable to the Association. The Association shall also be authorized to request that persons claiming membership rights produce a valid driver's license or other similar documentation to confirm the person's satisfaction of the development's age restrictions on residency and use of Common Facilities.

(b) Membership Cards. Each Lot shall be entitled to two (2) Membership Cards per Lot. Each Membership Card shall be valid only when held by and registered in the name of a Member of the Association. A Member, his or her family and guests (subject to the duly adopted guest policies of the Association) shall be entitled to the use of the Common Facilities of the Association. Membership Cards shall automatically expire upon the sale of the Lot to which the membership is appurtenant. Tenants who satisfy the residency requirements set forth in Section 8.01(a) of the Declaration shall be entitled to apply for Membership Cards to use and enjoy the Association's Common Areas and Common Facilities for the duration of their tenancy unless such card is suspended or revoked. Owners who rent or lease their Residences must surrender their Membership Cards as specified in Section 6.02(b).

(c) Executive Director's Maintenance of Membership Information. The Association's Executive Director shall be responsible for maintaining, in the Principal Office, accurate identifying information, including age information, on Members and additional Membership Card holders. A summary of this information, indicating the percentage of homes in which at least one resident is fifty-five (55) years of age or older, according to Association records, shall be provided to the Board of Directors in a written report delivered at the Board meeting next following the conclusion of each fiscal year.

(d) Record Dates. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by secret ballot and written ballot and eligibility for voting set forth in Section 5.08, below.

ARTICLE IV
Membership Voting

Section 4.01. Members. Each Owner of a Lot shall be a Member. If a Lot is owned by more than one (1) person, there shall be only one (1) vote with respect to such Lot, subject to the Member's being in Good Standing as described in Section 1.04(d), above.

Section 4.02. Voting Rights.

(a) Members Entitled to Vote. Only Members of the Association who are in Good Standing, as defined in Section 1.04(d), above, shall be entitled to notice and vote. The tenants or lessees of a Member who occupy a Residence within Sun City Lincoln Hills shall have no voting or membership rights in the Association but may be designated by a Member in Good Standing as that Member's proxy holder.

(b) Votes. Members shall have one (1) vote for each Lot that the Member owns. A Member who has sold his or her property to a contract purchaser under a contract of sale must delegate to such contract purchaser, by proxy, his or her membership rights in the Association. However, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold shall be transferred to the purchaser.

Section 4.03. Eligibility to Vote. Voting rights with respect to any Lot shall not vest until such time as Regular Assessments have been levied with respect to that Lot.

Section 4.04. Manner of Casting Votes.

Voting by Secret Ballot Distributed by Mail As required by California law (including without limitation California Civil Code Section 1363.03(b)), elections regarding the following items shall be held by secret ballot in accordance with the procedures set forth in California Civil Code Section 1363.03(b) or comparable statute:

- (a) assessments,
- (b) selection of Directors,
- (c) removal of Directors,
- (d) amendments to the Governing Documents and
- (e) grants of exclusive use of Common Area property pursuant to California Civil Code Section 1363.07 shall be held by secret ballot in accordance with the

procedures set forth in California Civil Code Section 1363.03(b) or comparable successor statute.

The Board of Directors shall adopt rules that govern the Association's election procedures, which shall include the minimum requirements specified in California Civil Code Sections 1363.03 and 1363.04, or comparable successor statute, as it may be amended from time to time, be held by secret ballot under Civil Code Section 1363.03(b) as it may be amended from time to time.. The vote shall be conducted by a show of hands unless at least ten percent (10%) of the Members present at a meeting and eligible to vote request that the vote be conducted by ballot at that meeting. The ballot hereunder shall be conducted in accordance with such additional procedures as may be prescribed by the chair of the meeting to supervise the secrecy and conduct of the balloting process.

Section 4.05. Voting at Membership Meetings. Voting at any membership meeting is limited to items **not** listed in Section 4.04, above, and required to be voted on by secret ballot under California Civil Code Sections 1363.03 and 1363.04 as it may be amended from time to time. Members may vote in person or by proxy at a meeting. Voting at any membership meeting may be conducted:

(a) by voice vote or show of hands, unless at least ten percent (10%) of the Members present at a meeting and eligible to vote request that the vote be conducted by secret ballot; or

(b) by secret ballot at the meeting, in which case supervision of the balloting, tabulation, and certification and posting of results shall be conducted in accordance with such additional procedures as may be prescribed by the chair of the meeting to ensure the secrecy, integrity and validity of the balloting process.

At a meeting, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and voting on any matter (other than items required to be voted on by secret ballot under California Civil Code Sections 1363.03 and 1363.04) shall be the act of the Members, unless the vote of a greater number or percentage of the Members is required by California law or by the Governing Documents of the Association.

Section 4.06. Votes Solicited by Written Ballot Without a Meeting. Voting by written ballot without a meeting should not be confused with voting by secret ballot distributed by mail required by California Civil Code Sections 1363.03 and 1363.04 and outlined in Section 4.04, above. Voting by written ballot without a meeting is limited to items **not** listed in Section 4.04, above, which are required to be voted on by secret ballot under California Civil Code Section 1363.03 as it may be amended from time to time.

(a) Definition of Written Ballot. A "written ballot" is a ballot which is

mailed or otherwise distributed to every Member in Good Standing and otherwise entitled to vote on the matter and which 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.

(b) Determination by Board and Record Date. Any matter or issue requiring the vote of the Members, except for items requiring a secret ballot vote under Civil Code Section 1363.03(b), 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 by written ballot (rather than at a meeting of the Members) shall be made by a majority vote of the Board of Directors.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 5.08(a)(iii), below) and distribute a written ballot to every Member who is entitled to vote on the matter as of the designated record date. This distribution shall be made consistent with the time requirements specified in subparagraph (d), below.

(c) Content of Written Ballots. Written ballots shall:

- (i) set forth a general description of the ballot measure or other proposed action;
- (ii) provide an opportunity for the Member to specify approval or disapproval of the proposal(s); and
- (iii) provide a reasonable time (subject to (d) below) 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.

(d) Balloting Time Requirements. Written ballots shall be distributed to all Members who are in Good Standing and eligible to vote at least thirty (30) days prior to the final date the written ballots must be received by the Association in order to be counted. The time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the ballot solicitation materials originally sent to Members and then for no more than two (2) successive periods of thirty (30) days each.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall only be valid if:

- (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in Section 5.05, below), that would have been required to be present at a membership meeting if such a meeting had been called to vote on the proposal, and
- (ii) the number of affirmative votes cast equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of Section 5.04, below, pertaining to issuance of notice of Members' meetings. All solicitations of written ballots shall indicate:

- (i) the number of responses needed to meet the quorum requirement for valid action,
- (ii) the time by which the written ballot must be received by the Association in order to be counted, and
- (iii) the percentage of affirmative votes necessary to approve the measure.

(g) Additional Balloting Procedures. If deemed necessary or appropriate by the Board, the written ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this Section, as may be prescribed by any inspector or inspectors of election appointed in accordance with Section 7.05(e), below, to supervise the secrecy and conduct of the balloting process.

(h) 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 fifteen (15) 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 for valid Member action (see Section 5.05, below), the Board shall so notify the Members.

(i) Prohibition of Revocation. Once exercised, a written ballot may not be revoked.

(j) Sealing of Written Ballots. Following tabulation, all written ballots shall be sealed and stored for a period of at least one (1) year in the custody of the Association or for nine (9) months in the custody of the Inspector of Elections as required by law.

Section 4.07. Proxies.

(a) 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. If no termination date is specified in the form of proxy, the proxy remains in effect until the earlier of:

- (i) the date of its revocation pursuant to subparagraph (b), below, or
- (ii) eleven (11) months from the date of issuance.

If the proxy expressly states that it is effective for a term, that term cannot exceed three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity, and the dates contained on the forms of proxy shall presumptively determine the order of their execution, regardless of the postmarks contained on the envelopes in which they are mailed.

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until the proxy is revoked by any one of the following methods:

- (i) a proxy automatically expires on expiration of the maximum term for which the proxy can be issued (see subparagraph (a), above);
- (ii) a proxy may be revoked by the issuing Member at any time prior to exercise by the proxy holder of voting rights attributable to the membership. The Member's revocation can be effected by:
 - (A) delivery of a written notice of revocation to the secretary of the Association,
 - (B) attendance by the issuing Member at the meeting and voting in person,
 - (C) the Member's execution and delivery of a later proxy to another proxy holder who appears and presents the proxy at a meeting of the Members; or
 - (D) in the case of a vote by secret ballot in accordance with Civil Code section 1363.03, notice by the Member prior to receipt of the secret ballot by the inspector of elections.
- (iii) a proxy is automatically revoked upon termination of the issuing Member's status as an Owner of the Lot to which the membership is appurtenant; and

- (iv) a proxy is deemed revoked when the secretary of the Association receives actual notice of the death or judicially declared incompetence of the issuing Member.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any vote by proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (i) Removal of directors without cause;
- (ii) filling of vacancies on the Board;
- (iii) amendment of the Articles of Incorporation, these Bylaws or the Declaration;
- (iv) action to change any Association Assessments in a manner requiring membership approval under the Declaration;
- (v) granting of exclusive use of common area property pursuant to Civil Code Section 1363.07;
- (vi) sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;
- (vii) merger of the Association or an amendment to an agreement of merger; and
- (viii) voluntary dissolution of the Association

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

With respect to items addressed in Section 4.05(c)(i) through (viii), above, if the proxy includes instructions that direct the manner in which the proxy holder is to cast the vote, such instructions shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain in accordance with Civil Code section

1363.03(d)(3).

(e) Proxy Rules for Memberships Held by More Than One Person. Where two (2) or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by one (1) or more of such persons so long as no more than one (1) proxy is issued with respect to any single membership.

ARTICLE V

Membership Meetings

Section 5.01. Place of Meeting. The meetings of the Members shall be held at Orchard Creek Lodge or at such other reasonable place (within the County) and at such time as may be designated by notice of the Board of the meeting. Unless unusual conditions exist, meetings shall not be held outside of the County.

Section 5.02. Annual Meeting of the Members. There shall be an annual meeting of the Association's Members on the third Thursday of February in each year, unless otherwise noticed by the Board of Directors.

Section 5.03. Special Meetings of the Members.

(a) Persons Entitled to Call Special Meetings. A majority of the Board, the President or five percent (5%) or more of the Members may request in writing that a special meeting of the Members be called to consider any lawful business of the Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is requested by Members other than the Board of Directors or the President, the request shall be in writing and signed by five percent (5%) or more of the Members and submitted to an officer of the Board of Directors, the President, the Vice President or the Secretary. The Members' request must specify the general nature of the business proposed to be transacted, and shall be delivered personally or sent by first-class, certified or registered mail or by facsimile transmission. The officer receiving the request shall cause notice to be promptly given to all Members in Good Standing, in accordance with the provisions of Section 5.04, below, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of a proper request from the requisite percentage of Members.

If the Association fails to send the Members notice of the special meeting within twenty (20) days after receipt of a valid request from five percent (5%) or more of the Members, the Members requesting the meeting may give the notice. Nothing contained in this subparagraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

Section 5.04. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is in Good Standing and otherwise eligible to vote at the meeting as of the record date for notice established in accordance with Section 5.08, below. Notice shall also be

posted in the Lodges or another appropriate location in the Common Area.

(b) Time Requirements for Notice. The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this Section, and except in the case of special meetings of the Members called in accordance with Section 5.03(b), above, notice shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice shall specify the place, date, and hour of the meeting and

- (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or
- (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present.

(d) Specification of Certain Significant Actions. If action is proposed to be taken at any membership 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 or consent states the general nature of the proposal(s):

- (i) removing a director without cause;
- (ii) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm or association in which one or more of its directors has a material financial interest;
- (iii) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or
- (iv) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. 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 Association or the address given by the Member to the Association for the purpose of notice. Notice hereunder may be delivered by E-mail, facsimile, or other electronic means, if the Member has agreed to that method of delivery.

If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either:

- (i) notice is sent to that Member by first-class mail or other written communication to the Association's principal office, or
- (ii) notice is published at least once in a newspaper of general circulation in the County.

Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by other means of written or electronic communication to the recipient.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence that proper notice was given.

Section 5.05. Quorum Requirements.

(a) Quorum Requirements. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by secret ballot or written ballot in accordance with Section 4.06, above:

- (i) Quorum for Votes on Assessment Increases. In the case of any secret ballot conducted for the purpose of voting on Assessment increases requiring membership approval (see Article IV of the Declaration), the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code Section 1366 or comparable successor statute. That quorum percentage is currently a majority of the Members.
- (ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting called or conducted for any other purpose, the quorum shall be fifteen percent (15%) of the Voting Power of the Members represented in person or by proxy at the meeting; provided, however, that at any regular meeting actually attended, in person or by proxy, by less than one-third (1/3) of the Voting Power of the Members of the Association (but at which 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.

- (iii) Quorum for Action by Secret Ballot. If Member approvals are solicited by secret ballot under Civil Code Section 1363.03(b) or by written ballot in accordance with Section 4.06, above, the minimum quorum requirement for valid action shall be achieved when secret ballot or written ballots are returned (within the time prescribed for voting) from at least fifteen percent (15%) of the Voting Power of the Members.

(b) Members Represented In Person, Proxy or Written Ballot. Members present at a membership meeting in person proxy or by written ballot (if applicable) shall be counted towards satisfaction of the quorum requirements specified herein.

(c) 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 may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

Section 5.06. Adjourned Meeting.

(a) Adjournment. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (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 which might have been transacted at the original meeting.

(b) 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.

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents. If decisions are made or action is otherwise taken

by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting (in person or by proxy) consents to the meeting by signing

- (i) a written waiver of notice,
- (ii) a consent to holding the meeting, or
- (iii) an approval of the minutes.

The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken with respect to any matters specified in Section 5.04(d), above, in which case, the waiver of notice or consent must state the general nature of the matter. All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described in the notice pursuant to Section 5.04(d), above, if that objection is expressly made at the meeting.

Section 5.08. Record Dates for Member Notice, Voting and Giving Consents.

(a) Record Dates Established by the Board of Directors. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting or exercise any rights with respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this Section must be in accordance with the following requirements:

- (i) Record Date for Notice of Meetings. In the case of determining

those Members entitled to notice of a meeting, the record date shall not be more than ninety (90) days nor less than ten (10) days before the date of the meeting;

- (ii) Record Date for Voting at a Meeting. In the case of determining those Members entitled to vote at a meeting, the record date shall not be more than sixty (60) days before the date of the meeting;
- (iii) Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and
- (iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action requiring Member approval, the record date shall not be more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

- (i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members, shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.
- (ii) Record Date for Voting at a Meeting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.
- (iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.
- (iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution

relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.

- (v) "Record Date" Means as of Close of Business. For purposes of this subparagraph (b) a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

ARTICLE VI
Membership Rights

Subject to any limitations or conditions imposed by these Bylaws, the Declaration or any other Governing Document of the Association, Members of the Association shall have the following rights:

Section 6.01. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas and Common Facilities within Sun City Lincoln Hills, subject, however, to observance of all applicable Association rules and regulations (see Section 6.04, below).

Section 6.02. Tenants, Lessees, and Contract Purchasers.

(a) Assignments of Rights. Any Member who rents or leases his or her Residence to a tenant or lessee who satisfied the residency requirements as set forth on Section 8.01(a) of the Declaration must assign his or her rights as a Member (other than voting rights) to the tenant or lessee. In the case of a Member who sells his or her interest in a Residence to a Qualifying Resident pursuant to a contract of sale (i.e., a real property sales contract in which the seller agrees to convey title to the real property to the buyer upon satisfaction of specified conditions which preclude closing within one year of the execution of the contract) the contract buyer shall be delegated all of the seller's rights as a Member, including voting rights (see Section 2.07(b) of the Declaration). At all times the Owner shall remain responsible for compliance by the Owner's lessee, tenant or contract purchaser with the provisions of the Governing Documents and the Owner shall remain liable for the payment of Assessments

(b) Surrender of Membership Cards. Any Owner assigning his or her rights in accordance with Section 6.02(a), above, shall surrender his or her Membership Cards to the Association for the period of delegation. Any issuance of Membership Cards to Qualifying Resident tenants or contract purchasers will be conditioned upon such surrender.

(c) Restriction on Lessor's Use of Certain Common Areas and Facilities. During the period of any lease or rental of a Lot, any Owner not residing within Sun City Lincoln Hills shall not be entitled to use the portions of the development's Common Areas or Common Facilities which are reserved for use of the Members except to the extent reasonably necessary to perform the usual responsibilities of a landlord or to ensure or gain compliance by the tenant or lessee with the requirements of these Bylaws and the Declaration. The Owner-lessor may, however, use the portions of the Common Areas or Common Facilities to the extent such areas are open to the general public. The limitations imposed by this subparagraph (c) shall not apply if the Owner-lessor is contemporaneously residing in another Residence within Sun City

Lincoln Hills.

Section 6.03. Invitees and Guests. Members shall have certain guest privileges as provided in the rules and regulations of the Association. The invitees and guests of a Member shall have the right to use and enjoy the Common Areas and Common Facilities within Sun City Lincoln Hills, subject to any Guest Rules and the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents. The Association's Guest Rules may include provisions which require guests and invitees to be accompanied by the host Member when using certain Common Facilities.

Section 6.04. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Declaration and in the Association's published rules and regulations as promulgated by the Board from time to time.

(a) Temporary Suspension of Right to Enjoyment of Common Areas and Common Facilities. The Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Area and Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents, provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in CC&R's Section 13.06(d) and Civil Code Section 1363(h). In such disciplinary actions, the Board shall use reasonable means to confirm that the Member, subject to such action, has received the written notice.

(b) Absolute Forfeiture of Right to Enjoyment of Common Areas and Common Facilities. The Association shall not be empowered to cause an absolute forfeiture or abridgment of the right of a Member, his or her tenants or guests to the full use and enjoyment of any Common Area and Common Facilities due to the failure by such person to comply with provisions of the Governing Documents except by judgment of a court or a decision arising out of arbitration or after a foreclosure or sale under a power of sale for failure of such person to pay Assessments duly levied by the Association.

ARTICLE VII

Board of Directors

Section 7.01. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civ. Code, §1350 et seq.) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in Section 9.01, below, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 7.02. Number of Directors. The number of authorized Directors of the Association shall be seven (7) directors.

Section 7.03. Directors' Terms of Office. The term of office for all Directors shall be two (2) years. The Directors' terms of office are staggered with three (3) Directors being elected in even numbered years and four (4) Directors being elected in odd-numbered years. At each annual meeting the Members shall elect directors to replace those directors whose terms are then expiring and the directors so elected shall serve for a term of two (2) years and until their successors are elected and qualified.

No Member may be re-elected or appointed to the Board who has served two (2) full consecutive two (2) year terms of office except pursuant to the following sentence. Once a Member has completed two (2) full consecutive terms, he or she shall not again be eligible for election or appointment to the Board until a period of twelve (12) months has elapsed since expiration of the Member's last term of office.

Section 7.04. Nominating of Directors. Individuals can become candidates for election to the Board of Directors in any of the following ways

(a) Selection by the Election Committee. The Association's Election Committee shall select Members in Good Standing as candidates for election to those vacant positions on the Board that are to be filled by the vote of the Members. The Election Committee shall consist only of Members in Good Standing, to be chosen in accordance with Section 10.03(d), below. The Election Committee shall conduct its process of reviewing and nominating prospective candidates in accordance with the following procedures:

- (i) On or before a date which is at least four (4) months prior to the date set for the election of directors, the Committee or any Member of the Association may submit to the Election Committee the names of prospective candidates for election to those positions on the Board of Directors that are to be filled. Members are permitted to self-nominate. The name of each such prospective candidate shall be submitted in writing to the Election Committee at the principal office of the Association, together with a resume completed by the candidate on a form provided by the Association.
- (ii) The Election Committee shall, by personal interview and such questioning as the Committee Members may deem necessary, carefully review the qualifications of the prospective candidates whom the committee has selected or whose names have been sent to them. On or before a date three (3) months prior to the date set for election of officers, the Election Committee shall prepare and announce a slate of nominees for each Board position to be filled at the upcoming election. The Committee shall make reasonable efforts to recruit at least two (2) candidates for each position on the Board to be filled. The Committee's slate of nominees shall be posted on the Association bulletin boards and at the principal office of the Association. The Election Committee shall obtain certification as to the eligibility of each nominee from the Executive Director.

(b) Qualification of Candidates. To qualify as a candidate for election to the Board, a person must be a Qualifying Resident who is a Member in Good Standing (as defined in Section 1.04(d), above). No member of the Election Committee may be nominated as a candidate for election to the Board. Any person nominated shall declare their availability for attendance at necessary meetings of the Board and shall make themselves available for any office to which the Board may elect him or her. The Board may establish candidate qualification prerequisites so long as such prerequisites are fair and impartial, meaningful, and applied consistently to all nominees.

Section 7.05. Election of Directors.

(a) Directors Elected by Secret Ballot. Directors shall be elected annually by secret ballot in accordance with Civil Code Section 1363.03(b). The persons so elected shall be selected from among those persons nominated pursuant to Section 7.04, above. The directors thus elected by the Members shall take office at the first regularly scheduled Board meeting immediately following their election and shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

(b) Use of Cumulative Voting. In any election of Directors in which more than two (2) positions on the Board are to be filled by vote of the Members, each Member in Good Standing shall be entitled to cumulate his or her votes so long as the procedural requirements for cumulative voting described in this subparagraph (b) are satisfied. When cumulative voting is authorized, Members may give one (1) candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which the Member is entitled, or distribute the Member's votes on the same principle among as many candidates as the Member desires.

No Member shall be entitled to cumulate votes in an election unless:

- (i) at the election more than two (2) positions on the Board are to be filled by a vote of the Members;
- (ii) the candidate's or candidates' name(s) have been placed in nomination before the voting begins.

(c) Determination of Election Results/Succession to Office. The candidates receiving the highest number of votes up to the total number of Directors to be elected by the Members shall be elected as directors. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by a draw of straws or other similar random drawing among the candidates who share the tie vote.

(d) Uncontested Elections. In any election of Directors where the number of candidates does not exceed the number of Directors to be elected, and where the number of candidates equals the number to be elected, the election of Directors may be accomplished by acclamation with the recommendation of the Election Committee and the Inspector of Elections, by the Board of Directors without the use of secret ballots, unless prohibited by California law. In any election of Directors where the number of candidates does not exceed the number of Directors to be elected, and where the number of candidates is less than the number to be elected, the remaining open seats for Director(s) will be filled by the affirmative vote of a majority of the elected and seated Directors. Each Director so chosen shall hold office as provided for the filling of other vacancies.

(e) Supervision of Election Process; Appointment of Inspector(s) of Election. In order to ensure secrecy of ballots and fairness in the conduct of director elections, the Board may, but shall not be obligated to, utilize the services of a certified public accountant, an attorney or local governmental elections official to receive and tabulate all ballots (both absentee ballots and ballots cast in person by Members attending the meeting at which the election takes place). Any accountant, attorney or local government election official retained to perform such services shall have the full powers of an inspector of elections appointed by the Board pursuant to Corporations

Code section 7614. In the absence of such an appointment, the members of the Elections Committee (see Section 10.01(e), below) shall serve as the inspectors of election.

Section 7.06. Vacancies and Removal of Directors.

(a) Vacancies. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following:

- (i) the death, resignation or removal of a Director pursuant to subparagraphs (c) and (d), below; or
- (ii) the failure of the Members, to elect the number of Directors for which there are openings.

(b) Resignation of Directors. Except as provided in this subparagraph, any Director may resign, which 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. If a Director verbally resigns and refuses to confirm his or her act in writing, a report of the resignation can be included in the minutes of the next regular or special meeting of the Board and those minutes can serve as written confirmation of the resignation so long as the resigning Director has been given proper notice of the meeting at which a report of the resignation is scheduled to be made (which notice shall list this action as an item for action) and the Director fails to appear at that meeting and rescind his or her action prior to the report's being made and entered in the minutes.

(c) 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) fails to attend three (3) consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law and these Bylaws;
- (iv) is more than thirty (30) days delinquent in the payment of Assessments.

In exercising its discretion to remove a Director for his or her failure to attend duly noticed meetings, the Board may consider in mitigation medical hardship, business travel or other factors.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraphs (c) and (e) of this Section 7.06, a Director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

- (i) A petition must be presented in person to the President, Vice President or Secretary of the Association that carries the signatures of Members in Good Standing who represent at least five percent (5%) of the Voting Power of the Members. Such petition must set forth a general statement of the reason(s) the Members are seeking the Director's removal; the signature and Lot number(s) of each petitioner in his or her own handwriting; the name(s) of the Members who are the principal proponents of the petition (i.e., the Members who have initiated the petition); and fulfill all other requirements required by law.
- (ii) Within twenty (20) days after receipt of such petition, the Board shall announce a recall election by secret ballot to be held not less than thirty-five (35) nor more than ninety (90) days after the petition is presented to the Association. If the Board fails to announce a recall election by secret ballot within twenty (20) days, the Members initiating the petition may call a special meeting of the Members on their own initiative without Board approval or sanction by providing notice thereof to all Members in the manner provided in Section 5.04, above.
- (iii) The Director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing or both. If in writing, such rebuttal shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.
- (iv) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

(e) Protection of Cumulative Voting Rights. Unless the entire Board of Directors is removed from office, no Director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to

elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the director's most recent election were then being elected

(f) Filling of Vacancies

(i) If a Director is removed by the vote of the Members, his or her successor shall be elected by the Members by secret ballot. The nomination procedures in Section 7.04 shall be followed except that the Election Committee may condense the timelines for conducting the nomination process.

(ii) Any vacancy occurring in the Board of Directors other than through removal of a Director by a vote of the Members, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum or by a sole remaining Director, and any Director so chosen shall hold office until the next election of Directors when the successor is elected and qualified. Any newly created Directorship shall be deemed a vacancy. Each Director so chosen shall hold office as provided for the filling of other vacancies. If by reason of death, resignation or otherwise, the Association has no Directors in office, any officer or Member may call a special meeting of the Members for the purpose of establishing a process for a secret ballot election of the Board of Directors.

(iii) Should an elected Director fail to assume office by reason of death, disability or declination prior to the beginning date of the term to which elected, then the unsuccessful candidate in such election receiving the next highest number of votes shall be deemed elected in the place of the Member who, once elected, has declined to serve.

(g) Reduction in Number of Directors. No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

ARTICLE VIII

Board Meetings

Section 8.01. Place of Meetings; Meetings by Video or Conference Telephone. Regular and special meetings of the Board of Directors may be held at any place within Sun City Lincoln Hills or the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the Association's Orchard Creek Lodge facility within Sun City Lincoln Hills. Notwithstanding the above provisions of this Section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board Members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by video or conference telephone or similar communication equipment, so long as all Directors and Members participating in the meeting in accordance with Civil Code Section 1363.05 can hear one another, in which case all such Directors shall be deemed to be present in person at such meeting.

Section 8.02. Annual Organizational Meeting of Directors. Following each annual meeting of Members, the Board of Directors shall convene an open organizational meeting for the purpose of scheduling, organization, and the election of officers. No other business shall be transacted at the meeting. Notice of this meeting shall not be required.

Section 8.03. Regular Meetings. Regular meetings of the Board shall be held at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board Members. Regular meetings shall be conducted at least quarterly; provided, however, that if the Board's business so requires, regular meetings can be held more frequently as determined by the Board.

(a) Notice of Annual Schedule of Regular Meetings. Notice of the time and place of regular meetings of the Board of Directors shall be posted in a prominent place within the Common Area; provided, however, that if the Common Area is unsuitable for posting of such notice, the Board shall communicate the notice of the time and location of such meeting by any means it deems appropriate.

(b) Notice to Directors of Unscheduled Regular Meetings. If the Board has not adopted an annual schedule of regular meeting dates or established a day and time in each month for regular meetings, notice of each meeting of the Board shall be communicated to the Directors by one of the following methods:

- (i) by first class mail,
- (ii) personal delivery,

- (iii) telephone, including a voice messaging system or other system or technology designed to record and communicate messages,
- (iv) facsimile, or
- (v) electronic mail or other electronic means.

(c) Notice to Directors for Emergency Meetings. Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Any other form of notice shall be not less than forty-eight (48) hours prior to the meeting.

(d) Waiver of Notice to Directors. In the event of an emergency meeting strict adherence to the notice requirements of this Section shall not be required provided that a reasonable effort to give notice to each Director shall be made taking into consideration the nature and circumstances of the emergency.

Notice of a meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the meeting, or an approval of the minutes thereof, whether before or after the meeting, nor must notice be given to any Director who attends a meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director.

Section 8.04. Special Meetings of the Board.

(a) Who May Call a Special Meeting. Special meetings of the Board of Directors for any purpose may be called at any time by the President or any two (2) Directors.

(b) Notice of Special Meetings. Notice of the time, place and purpose of special meetings of the Board shall be posted in the Common Area or communicated in the manner prescribed for notice of regular meetings of the Board and shall be given to each director by one of the following methods:

- (i) by first class mail,
- (ii) personal delivery,
- (iii) telephone, including a voice messaging system or other system or technology designed to record and communicate messages,
- (iv) facsimile, or
- (v) electronic mail or other electronic means.

Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting.

Any other form of notice shall be not less than forty-eight (48) hours prior to the meeting. In the event of an emergency meeting strict adherence to the notice requirements of this Section shall not be required provided that a reasonable effort to give notice to each Director shall be made taking into consideration the nature and circumstances of the emergency. Notice of a meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the meeting, or an approval of the minutes thereof, whether before or after the meeting, nor must notice be given to any Director who attends a meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director.

Section 8.05. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the California Common Interest Development Open Meeting Act (California Civil Code, Section 1363.05):

(a) Meetings Generally Open to Members. With the exception of executive sessions of the Board (see subparagraph (c), below) any Member of the Association may attend meetings of the Board of Directors. For purposes of the Open Meeting Act, the term "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. Nothing herein shall preclude the Board or its members from gathering at workshops or other gatherings at which no formal action is taken and no matters are discussed which, at the time of the workshop or gathering are scheduled for action by the Board at a later time.

(b) Right of Members to Speak at Meetings. The Board of Directors shall permit any Member to speak at any meeting of the Members or of the Board of Directors, except for Board meetings that are held in executive session pursuant to subparagraph (c), below. Reasonable time limitations can be imposed by the Board or the Chairperson of the meeting on presentations or statements by Members and, in the case of Board meetings, the agenda for the meeting can designate a specific time on the agenda for Member statements and comments and may impose uniform limitations on the duration of such comments.

(c) Executive Sessions. The Board shall be entitled to convene in executive session to discuss:

- (i) litigation in which the Association is or may become a party;
- (ii) matters relating to the formation of contracts with third parties;

- (iii) Member discipline; or
- (iv) personnel matters.

The Board must meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline and the Member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Additionally, the Board shall also, at a Member's request, meet in executive session with such Member to discuss the Member's request to pay unpaid Assessments pursuant to a payment plan. Notwithstanding the preceding, the Board shall not in any way be obligated to accept or agree to any such payment plan. Any matter discussed in executive session shall be generally noted in the minutes of the next regularly scheduled Board meeting, taking into consideration the need to maintain confidentiality.

(d) 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 of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs in making that distribution. Members shall be notified in writing at the time that the pro forma budget required by Section 12.05, below, 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.

(e) Members' Right to Notice of Meetings. Members shall be given notice of the time and place of any Board meetings (as defined in subparagraph (a), above) other than "emergency meetings", at least four (4) days prior to the date of the meeting. This notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot within Sun City Lincoln Hills, or by newsletter or similar means of communication. For purposes of this subparagraph (e), an "emergency meeting" of the Board means a meeting called by the President or by any two (2) members of the Board under circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act.

Section 8.06. Quorum Requirements. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 8.08, below. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law. A meeting at which a quorum is initially

present may continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles or by law.

Section 8.07. Waiver of Notice. The transaction 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, individually or collectively, 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. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirements of notice of a meeting shall also be deemed to have been waived by any Director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8.08. 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. Except as hereinabove provided, notice of adjournment need not be given.

Section 8.09. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors. In accordance with Corporations Code Section 7211(b), an "interested Director" is not included in the vote determining unanimity under this Section. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Board members have been obtained and announced at the next regularly scheduled Board meeting. Any written consent or consents of the Board shall be filed with the minutes of the proceedings of the Board.

Section 8.10. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services but may be reimbursed for actual expenses not to exceed one hundred (\$100) supported by a proper receipt or invoice.

Section 8.11. Protocol at Board Meetings. At each meeting of the Board, the President, or if he or she is absent therefrom, the Vice President, or if he or she is absent therefrom, a Director chosen by a majority of the Directors present, shall act as Chairperson and preside over such meeting. The Secretary, or if he or she is absent, the person (who shall be an Assistant Secretary, if any and if present) whom the Chairperson of such meeting shall appoint, shall act as Secretary of such meeting and keep the minutes thereof.

ARTICLE IX
Duties and Powers of the Board

Section 9.01. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Section 7.01, above, the Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, any Executive Director or General Manager who is an employee of the Association, (subject to any contractual commitments which may exist in favor of the Executive Director or as limitations on the Board's authority hereunder) and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation and these Bylaws; and fix their compensation. Nothing in this subparagraph (b) shall be construed as authorizing or empowering the Board to remove or call for the removal of a person who is employed as the Executive Director or General Manager by a management company retained by the Association to perform management services, unless otherwise expressly authorized by the contract between the Association and the management company.

(c) Employ or terminate the services of attorneys, accountants or, independent contractors on such terms and conditions as are considered reasonable by the Board, subject to the limitation on the term of certain contracts imposed by Section 9.02(a), below.

(d) Adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Common Areas, the Common Facilities and environs within Sun City Lincoln Hills, and the personal conduct of the Members and their guests thereon. The Board may take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Areas or Common Facilities; provided notice and a hearing are provided as more particularly set forth in Section 13.06 of the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants. The Rules and Regulations may also include the establishment of a system of fines and penalties related to the enforcement and/or violation thereof. The Rules and Regulations may be established, modified or amended at any special or regular meeting of the Board.

(e) Establish, adopt, amend or repeal Design Guidelines. Proposed additions, amendments or deletions shall be prepared by the Architectural Review Committee and submitted to the Board for final review and approval.

(f) As more particularly provided in Article XIII of the Declaration, enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Lots, Common Areas and Common Facilities and the environs within Sun City Lincoln Hills.

(g) 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.

(h) 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 Common Areas or other portions of Sun City Lincoln Hills for which the Association has maintenance or repair responsibility.

(i) Pay all taxes, special assessments and other assessments and charges which are or would become a lien on any portion of the Common Areas.

(j) Contract for and pay for construction or reconstruction of any portion or portions of Sun City Lincoln Hills which the Association is obligated to maintain, repair and replace and which have been damaged or destroyed and which are to be rebuilt.

(k) Delegate management of the business and activities of the Association to the officers of the Association, a management company, or to committees established by the Board, subject to the limitations expressed in Section 9.02(a) and Article X, below, and subject to the requirement that the activities and affairs of the Association shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

(l) Levy and collect Assessments from the Members of the Association in accordance with the Declaration, and establish and collect reasonable use charges for any or all recreational or Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

(m) Perform all acts required of the Board under the Declaration.

(n) Prepare or cause to be prepared budgets and maintain or cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with Article XII, below, and generally accepted accounting principles, and at no greater than annual intervals prepare or cause to be prepared an annual financial report, a copy of which shall be delivered to each Member as provided in Section 12.05, below.

(o) Appoint an Election Committee for the nomination of persons to be elected to the Board, and prescribe rules under which said Committee is to act, all as more particularly described in Section 7.04, above.

(p) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with Article X, below.

(q) Fill vacancies on the Board of Directors or in any committee, except as otherwise provided in Section 7.06(f) above.

(r) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(s) Bring and defend actions on behalf of the Members in common or the Association to protect the interests of the Members in common or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation.

(t) Enter Lots as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common as described in Section 3.06(b) of the Declaration.

(u) Represent the Association before any and all governmental or quasi-governmental agencies, offices, groups or bodies in conjunction with any matters bearing upon or affecting the quality of life and property values of the Association's Members or the Sun City Lincoln Hills development in general, including but not necessarily limited to all planning and zoning, fire protection, street lighting, public utility and similar regulatory agencies.

Section 9.02. Limitations on Powers. Without the vote or written assent of a majority of the Voting Power of the Association, except as otherwise provided below, the Board of Directors shall not take any of the following actions:

(a) Enter into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

(i) a management contract, the terms of which have been approved by the Federal Housing Administration or the Veterans Administration.

(ii) a contract with a public utility company if the rates charged for materials or services are regulated by the Public Utilities

Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

- (iii) prepaid casualty and/or liability insurance policies if not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured.
- (iv) lease agreements for laundry room fixtures and equipment (if any) of not to exceed five (5) years duration.
- (v) agreements for cable television services and equipment or satellite television services and equipment of not to exceed five (5) years duration.
- (vi) agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that year.

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

(d) Pay compensation to members of the Board of Directors or the officers of the Association; provided, however, that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in carrying on the business of the Association.

(e) Enter into a Lot in a nonemergency situation unless the Owner is furnished with at least twenty-four (24) hours' written notice, except in the case of an emergency as more particularly described in Section 3.06(b) of the Declaration.

(f) Borrow money whenever the funding to amortize the obligation will be an Assessment for which Member approval is required pursuant to Section 4.04, above. Such required Member approval shall be a Majority of a Quorum of fifty percent (50%) of the eligible Members.

(g) The approval of fifty-one percent (51%) of the Owners is required to grant easements or designate exclusive use of Common Areas which exceed one thousand five hundred (1,500) square feet in size.

ARTICLE X Committees

Section 10.01. Standing Committees of the Board. The Association shall have the following Standing Committees:

- (a) Architectural Review Committee
- (b) Club and Community Organizations Committee
- (c) Communications & Community Relations Committee
- (d) Compliance Committee
- (e) Elections Committee
- (f) Finance Committee
- (g) Properties Committee

Section 10.02. Standing Committee Members.

(a) shall be 'members in good standing' within the Sun City Lincoln Hills community

(b) shall be selected by members of the committee and appointed by the Board of Directors, except the Elections per 10.03(e) below

(c) will select a chairperson from its members that may be appointed by the Board of Directors, except for the Elections Committee per 10.03(e) below

(d) will not be Members of the Board of Directors in a voting capacity, but a member of the Board of Directors may serve as a liaison

Section 10.03. Standing Committee Responsibilities.

(a) Architectural Review Committee. The Architectural Review Committee has the responsibility of reviewing all lot landscape plans, requests for new construction or alterations of existing structures and proposed amendments to the Design Guidelines for review and approval by the Board and the City of Lincoln. This Committee shall also prepare amendments to the Design Guidelines for review and approval by the Board. This Committee shall perform other duties as may be set forth in these Bylaws.

(b) Club and Community Organizations Committee. The Club and Community Organizations Committee will review and recommend to the Board of Directors action to be taken with respect to club applications. This Committee will also promulgate and recommend the rules and regulations for Member use of the recreational facilities, and for the administration of proper relationships between the Association and its chartered clubs and other community organizations.

(c) The Communications and Community Relations Committee. The Communications and Community Relations Committee will assist and advise the Board on matters relating to improved communications about programs and events within the Sun City Lincoln Hills Community. The Board will assign tasks and responsibilities to facilitate improved communications, as they deem necessary.

(d) Compliance Committee. The Compliance Committee will work closely with the Architectural Review Committee to enforce the standards and restrictions set forth in the Declaration and in the Design Guidelines. If it is determined that work completed on any Lot is not in compliance with final plans approved by the Architectural Review Committee, or if other violations are found to exist, the committee shall conduct necessary inspections, notify Owners of noncompliance and require Owners to remedy the violations. Owners who fail to comply upon request will be required to appear before a panel of residents who conduct a hearing on the matter, then make a recommendation to the Board of Directors concerning enforcement action. The Compliance Committee shall regularly report to the Board regarding the status of violations and act as a liaison between the Board and interested Residents regarding the matters referred to the Board for enforcement action.

(e) Elections Committee. The Elections Committee will conduct all elections of the Association pursuant to Civil Code and with the Inspector of Elections. The Elections Committee shall consist of not less than nine (9) Members. The committee and Chairperson will be appointed by the Board of Directors not less than nine (9) months prior to the annual election of the Board of Directors (in the month of June). The President, with the consent of the Board, shall appoint the Elections Committee. See Section 7.04 – Nominating of Directors.

(f) Finance Committee. The Finance Committee will have general control of the financial policy of the Association, subject to the approval of the Board of Directors, including ways and means for obtaining funds necessary to meet the authorized budget for carrying out the work of the Association. The Finance Committee will present in writing at the annual Board meeting an itemized estimate of the income and expenses for the ensuing fiscal year. Upon approval by the Board of Directors, this shall become the Association's authorized budget and investment plan for that year. No obligation beyond the amount thus authorized shall be incurred by any committee or agent of the Association unless specially authorized by these Bylaws or the Board of Directors. Subject to approval by the Board, revisions in any budget may be made at any time and such revised budget shall become the authorized budget. Investments of Association reserve funds (as described in Section 4.09(d) of the Declaration) shall be made in accordance with an investment policy proposed by the Finance Committee and approved by the Board of Directors.

(g) Properties Committee. The Properties Committee shall conduct at least once a year a complete inspection of all the Corporation's physical properties, including the buildings, equipment, and grounds, to determine if same are safe, properly cared for and in good condition. After each inspection, the Chairperson shall make a report in writing to the Board and the Executive Director on the status of the facilities, including any recommendations for preservation, maintenance, or replacement. The Committee, when possible, shall be composed of Members with appropriate technical skills.

Section 10.04. Organization of Committees.

(a) Composition of Committees; Terms of Service. Unless described differently herein or in the charter forming the committee, all standing and special committees shall have not less than three (3) Members. The terms for service of each Member of a committee shall be for a term of two (2) years. The committee Chairperson shall have the discretion to allow Members to serve up to two (2) successive terms on the same committee. The cap on the number of terms of service shall not apply to the committee Chairperson. The above requirements shall apply to all committees, standing and special, with the following exceptions: those committees appointed by the President or the Board of Directors from time to time to serve a single and limited purpose, and the Elections Committee which are specifically provided for in Section 7.04, above, and Section 10.01(e), above, respectively, of these Bylaws.

(b) Coordination of Committees with Executive Director. Each of the standing committees shall work closely with the Executive Director and her/his staff. The Executive Director shall be an advisor to and be a nonvoting Member of each standing committee, with the exception of the Elections Committees.

Section 10.05. Powers of Committees. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter, which under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

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

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or designate the Members of those committees.

(f) Approve any transaction

(i) to which the Association is a party and one or more Directors have a material financial interest; or

(ii) between the Association and one or more of its Directors or between the Association or any entity in which one or more of its directors have a material financial interest.

Section 10.06. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII, above, concerning meetings of directors, with such changes in the context of these Bylaws as are necessary to substitute the committee and its Members for the Board of Directors and its Members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate Members, who shall have the right to attend all meetings of the committee. Unless otherwise provided in the Board resolution establishing the committee, minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

ARTICLE XI

Officers

Section 11.01. Officers. The officers of the Association shall be a President, a Vice President, Secretary and Treasurer. The Association shall also have an Executive Director or General Manager, whose duties and responsibilities are more specifically set forth in Section 11.12, below. The Executive Director/General Manager shall either be a salaried employee of the Association or an employee of a management company under contract with the Association to provide Association management services.

Section 11.02. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.03 and 11.06, below, shall be chosen annually by majority vote of the Board at its open organizational meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 11.03. Subordinate Officers. The Board may appoint, and may empower the President to appoint, 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 are provided in the Bylaws and as the Board may from time to time determine.

Section 11.04. Removal of Officers. Any officer may be removed from office (with or without cause) by the majority vote of the Directors at any regular or special meeting called for that purpose, whenever in the Directors' judgment, the best interests of the Association will be served by the removal. Such removal shall be without prejudice to the contract rights, if any, of the person removed. Any officer proposed to be removed shall be entitled to at least three (3) days' notice in writing by mail of the meeting of the Board of Directors at which such removal is to be voted.

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary. Any such resignation shall take effect at the date of the 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. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 11.06. Vacancies. In case any office of the Association becomes vacant by death, resignation, retirement, disqualification, or any other cause, the majority of the Directors, although less than a quorum, may elect an officer from the Board to fill such vacancy, and the officer so elected shall hold office until the election of his or her successor.

Section 11.07. President. The President shall be elected by the Board from among the directors. The President shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws. He or she shall appoint all committee Chairpersons (with the advice and consent of the Board), except the Election Committee, and may call any special meetings of the Members of the Association and/or the Board of Directors. After approval by the Board, he or she shall execute bonds, mortgages and other contracts.

Section 11.08. Vice President. The Vice President shall be elected by the Board from among the Directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09. Secretary. The Secretary shall be elected by the Board from among the directors. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members. These minutes shall contain the time and place of all meetings, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given. He or she shall be the custodian of all contracts, deeds, documents, all other indicia of title to properties owned by the Association and of its other corporate records (except accounting records) and of the corporate seal, and affix such seal to all documents the execution of which on behalf of the Corporation under its seal is duly authorized.

Section 11.10. Treasurer. The Treasurer shall be elected by the Board from among the directors. The Treasurer, shall:

(a) keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements;

(b) deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board;

(c) disburse the funds of the Association as may be ordered by the Board;

(d) render to the President and directors whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association; and

(e) have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

The financial records of the Association shall be subject to an audit by a certified public accountant to be appointed by the Board and paid by the Association. The Treasurer shall see to it that the Association's funds are deposited to the account of the Association in such bank or banks and savings and loan institutions which are federally insured and/or shall use such funds to purchase U.S. Treasury Notes, Certificates of Deposits or other obligations of the Federal Government or agencies thereof, as designated by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer who shall, in the absence or incapacity of the Treasurer, have the powers, duties and the responsibilities of the Treasurer, but shall receive no compensation.

Section 11.11. Bonding. All officers, Board members, Committee Chairpersons and members and employees who are in any way involved in the handling of Association funds and the paid managerial personnel of the Association shall be bonded or insured in a sum to be determined by the Board of Directors.

Section 11.12. Executive Director. The Executive Director (who may be termed the "General Manager") shall be in charge of the day-to-day operation of the Association. Unless the Executive Director is an employee of a management company retained by the Association, the Executive Director shall be hired by and serve at the pleasure of the Board of Directors. The Executive Director is the implementor of the policies of the Association as established by the Board of Directors pursuant to, but not limited by, the Governing Documents. The duties of the Executive Director include, but are not necessarily limited to the following:

(a) Establish an organization and a chain of employee responsibility to ensure that the Association's facilities function effectively and efficiently and best serve the interests of the majority of the Members.

(b) Ensure that the annual operating budget is prepared in a timely manner for submission for approval by the Board of Directors.

(c) Recommend to the Board of Directors an annual homeowner Regular Assessment and, when appropriate, Special Assessment schedule in keeping with the proposed annual operating budget.

(d) With the prior approval of the Board of Directors, establish and keep current a wage and salary schedule for employees which will enable the Association to attract and to retain competent personnel.

(e) Present a monthly oral or, at the discretion of the Board of Directors, written statement regarding the Association's operation which will include but not necessarily be limited to the following topics:

- (i) financial condition,
- (ii) facility status,
- (iii) employee relations,
- (iv) special projects, if any.

(f) Supervise the heads of the various operating departments and be responsible for the hiring and terminating of key employees of the Association's staff.

(g) See to it that the annual operating budget contains funds necessary for maintenance and repair of the Association's Common Facilities and the replacement of equipment which will enable the Association's Common Facilities to be maintained in good and acceptable condition. The Executive Director shall have the authority to expend, without Board approval, up to Ten Thousand Dollars (\$10,000.00) per incident for repair of Recreation Center facilities or equipment. In the case of an emergency, the limit on the Executive Director's authority is expressly waived. The Board, in its sole discretion, shall establish such other spending limits for the Executive Director for funds that may be spent without prior Board approval as the Board, in consultation with the Executive Director, deems appropriate.

ARTICLE XII
Member Assessment Obligations
and Association Finances

Section 12.01. Description of Assessments to Which Owners Are Subject. Owners of Lots within Sun City Lincoln Hills are subject to Regular, Special and Special Individual Assessments as more particularly described in Article IV of the Declaration.

Section 12.02. Checks. All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of two (2) Directors.

Section 12.03. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of Sun City Lincoln Hills Community Association.

Section 12.04. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as more particularly set forth in Section 4.09 of the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 12.05. Budgets and Financial Statements. The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

(a) Budget. A pro forma operating budget meeting the requirements of this subparagraph (a) shall be distributed to Members annually, not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year, which shall include all of the following and shall be accompanied by the form specified in California Civil Code Section 1365.2.5(a):

- (i) An estimate of the Association's revenue and expenses for such fiscal year on an accrual basis;
- (ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to law, based only on assets held in cash or cash equivalents which summary shall be

printed in bold type and shall include all of the following:

- (A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component the Association is obligated to maintain, restore, repair, or replace;
- (B) A current estimate, as of the end of the fiscal year for which the study is prepared, of the amount of cash reserves necessary to maintain, restore, repair, or replace such major components;
- (C) The current amount, as of the end of the fiscal year for which the study is prepared, of accumulated cash reserves actually set aside to maintain, restore, repair, or replace such major components;
- (D) The percentage of the amount of cash reserves necessary (per Subparagraph (B)) that is represented by the amount of cash reserves actually set aside (per Subparagraph (C));
- (E) A statement as to both of the following:
 - (1) Whether the Board has determined or anticipates that the levy of one or more Special Assessments will be required to restore, repair, or replace any of the major components or to provide adequate reserves therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Special Assessments; and
 - (2) The mechanism or mechanisms by which the Board of Directors 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.
- (F) A general statement setting forth the procedures used for the calculation and establishment of reserves to defray the future cost of repair, replacement, or additions to those major components that the Association is obligated to maintain, restore, repair, or replace. The general statement shall include, but need not be limited to, reserve

calculations made using the formula described in California Civil Code Section 1365.2.5(b)(4) and may not assume a rate of return on cash reserves in excess of two percent (2%) above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

- (iii) In lieu of the distribution of the pro forma operating budget, the Board may distribute a summary of such budget (which must be accompanied by the form specified in California Civil Code Section 1365.2.5(a)) to all Members together with a written notice that the budget is available at the office of the Association or at another suitable location within the boundaries of the Development and that copies will be provided to a Member upon a Member's request and at the expense of the Association. If any Member so requests, the Association shall provide a copy of the pro forma operating budget to such Member by United States mail first-class postage prepaid, and such copy shall be mailed within five days of such request. The written notice that is distributed to each Association Member as set forth herein shall be set forth in at least 10-point bold type on the front page of the summary of the budget.

(b) Budgets for Cost Centers. With respect to Cost Centers established in accordance with Sections 4.01(e), 4.02(b)(ii) or 4.03(c) of the Declaration, a separate budget shall be prepared for each such Cost Center. The budget shall cover the estimated Common Expenses allocable to the Cost Center, shall be prepared in accordance with subparagraph (a), above, and shall be distributed to all Owners of Lots within the Cost Center together with the budget for the General Assessment Component of the Regular Assessment.

Each such budget for a Cost Center shall include any costs for additional services or a higher level of services than those provided to all Members. It shall, also, include any contribution to be made to a reserve fund for major capital components within the Cost Center which the Association is obligated to maintain, repair and replace. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than Assessments levied against Lots within the Cost Center, and the amount required to be generated through the levy of a Cost Center Assessment against the Lots in such Cost Center.

(c) 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:

- (i) a balance sheet as of the end of the fiscal year;
- (ii) an operating (income) statement for the fiscal year;
- (iii) a statement of cash flows for the fiscal year;
- (iv) a statement advising Members of the place where the names and addresses of the current Members are located; and
- (v) any information required to be reported under Corporations Code Section 8322 requiring the disclosure of certain transactions in excess of fifty thousand dollars (\$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 ten thousand dollars (\$10,000) per year.

The annual report 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 seventy five thousand dollars (\$75,000.00). 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.

(d) Annual Statement Regarding Delinquency/Foreclosure Policy. A written notice in the form specified in California Civil Code Section 1365.1(a) and California Civil Code Section 1365.1(b) concerning Assessments and the foreclosure of the same shall be distributed within the sixty (60) day period preceding the beginning of the Association's fiscal year. The current version of California Civil Code Section 1365.1 is set forth on attached Exhibit "A". The notice shall be printed in at least 12-point type.

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

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

- (i) review a current reconciliation of the Association's operating accounts;

- (ii) review a current reconciliation of the Association's reserve accounts;
- (iii) review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (iv) review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and
- (v) review the Association's income and expense statement for the operating and reserve accounts.

Section 12.06. Required Reserve Studies. At least once every three (3) years, the Board of Directors shall cause a study of the reserve account requirements of the development to be conducted, if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required hereunder on an annual basis and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required by this Section 12.06 shall include the minimum requirements for a capital replacement reserve study specified in Civil Code Section 1365.5 or comparable successor statute.

ARTICLE XIII
Other Required Reports and Disclosures to Members

Section 13.01. Notification to Members Regarding Insurance Coverage Maintained by the Master Association.

(a) Scope of Required Summary Disclosures. In accordance with California Civil Code Section 1365(e), not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year the Association shall distribute to its Members a summary of the Association's property, general liability, earthquake, flood and fidelity policies of insurance (if any) containing the information described in subparagraph (b), below.

(b) Content of Annual Insurance Summary. The insurance summary required by subparagraph (a), above, shall include

- (i) the name of the insurer;
- (ii) the type of insurance;
- (iii) the policy limits of the insurance; and
- (iv) the amount of the deductibles, if any.

The Association's disclosure obligations may be satisfied by distributing to the Members a copy of the insurance policy declaration page, so long as that page presents the information specified in the preceding sentence. The summary distributed pursuant to this Section shall contain the statement required by California Civil Code Section 1365(f)(4), the current version of which is set forth on attached Exhibit "B". The statement shall be printed in at least 10-point boldface type.

(c) Notification of Cancellation or Material Change in Policies. In addition to distributing the insurance summaries described in subparagraph (a), above, of this Section, if any of the policies described in the summary lapse or are canceled and are not immediately renewed, restored or replaced, or if there is a significant change in the policies, such as a reduction in coverage or limits or an increase in the deductible, then the Association shall, as soon as reasonably practical, notify its Members of the lapse, cancellation or significant change. This notice shall be sent by first-class mail. If the Association receives any notice of nonrenewal of a policy described in subparagraph (a) the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Section 13.02. Internal Dispute Resolution (IDR) and Alternative Dispute Resolution (ADR) Disclosure. On an annual basis, the Board of Directors shall provide each Member a summary:

(a) of the statutory provisions relating to employing alternative dispute resolution procedures in certain matters with respect to enforcement of the Governing Documents which specifically references California Civil Code Sections 1369.510 through 1369.590 and which includes the language required by California Civil Code Section 1369.590(a), and

(b) describing the Association's internal dispute resolution process as required by California Civil Code Section 1363.850. The summary shall be provided either at the time the budget required by Section 12.05(a) of these Bylaws is distributed or in the manner specified in California Corporations Code Section 5016.

Section 13.03. Statement of Outstanding Charges. Within ten (10) days following receipt of a written request by an Owner, the Association shall provide the Owner with a written statement setting forth the following information as of the date of the statement:

(a) the amount of the Association's current Regular Assessment and Special Assessments (if any), and fees;

(b) the amount and nature of any assessments levied upon the Owner's Residence or Unit which are unpaid on the date of the statement;

(c) true and correct information regarding late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien on the Owner's Residence or Unit in accordance with Civil Code Sections 1367 and/or 1367.1;

(d) any monetary fines or penalties levied upon the owner's interest and unpaid on the date of the statement, and;

(e) any change in the Association's current Regular and/or Special Assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date of the statement. The Association may impose a fee for providing the information stated in this Section 13.03, not to exceed the reasonable costs incurred to prepare and reproduce the requested items.

Section 13.04. Disclosure of Schedule of Fines or Other Monetary Penalties. If the Association adopts a schedule of fines for commonly recurring infractions of the Governing Documents, or any other policy imposing a monetary penalty or a fee on any Member for violation of any Governing Document or the Association Rules, including

any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall distribute the schedule or policy to the Members by either personal delivery or by first-class mail. This distribution obligation shall arise whenever such a schedule or policy is adopted or subsequently amended.

Section 13.05. Avoidance of Duplication in Reporting Requirements. To the extent one document distributed to the Members pursuant to Article XII, above, or this Article XIII provides the information required in more than one of the foregoing sections of this Article, any such requirements listed above may be satisfied by sending the Members the same document.

ARTICLE XIV Chartered Clubs

Section 14.01. Organization Rules and Regulations. Any group of Members interested in pursuing a particular hobby, vocation or field of interest may join together for the purpose of pursuing such interest and may request the Board of Directors to license them as a Chartered Club or approve them as a Shared Interest Group or a Support Group. Requirements for chartering such as duties, responsibilities and authorities of such clubs, shall be determined by the Board of Directors with advice from the Chartered Club and Community Organizations Committee. There shall be no conflict between each Chartered Club's rules and regulations with the Articles of Incorporation, Bylaws and Club Organization Rules, and any amendments thereto. Club's rules and regulations will be available to all clubs, organizations, and individuals who are authorized to use Association Common Facilities.

Section 14.02. Rules and Regulations. The Board of Directors of the Association, a committee, or a management person who has been duly authorized by the Board, shall approve the rules and regulations for Chartered Clubs and other approved non-chartered groups.

Section 14.03. Exemption from Organization Requirements. Any Chartered Club or organization which cannot reasonably comply with the above requirements may request, in writing, an exemption from the Board. The Board must act upon the request for exemption within thirty (30) days after its receipt by the Board, by either approving or rejecting the request for exemption by a majority decision which shall be final and binding. Failure of the Board to act on a request within the thirty (30) day period shall constitute a rejection of the request for exemption.

Section 14.04. Use of Chartered Club Facilities by Non-Chartered Club Member. No Member, who would otherwise qualify for membership in a particular Chartered Club, shall be denied the use of any Common Facilities furnished to a Chartered Club by the Association on a nonexclusive basis, merely because the Member declines to join a Club. Nevertheless, if, in the judgment of the Board of Directors, the health, welfare and safety of persons and/or the protection of property is considered at risk, the Board may require an Association Member to join a Chartered Club for the continued privilege of using the Club-operated facility.

Section 14.05. Revocation of Club Charter. Any Chartered Club of the Association may have its charter revoked by a majority vote of the Board of Directors.

ARTICLE XV
Miscellaneous

Section 15.01. Inspection of Books and Records.

(a) Member Inspection Rights. With respect to records subject to inspection under Civil Code Section 1365.2, the Association shall make such records available within ten (10) business days of receipt of the request for records prepared during the current fiscal year, and within thirty (30) business days following the Association's receipt of a request for Association records prepared during the previous two (2) fiscal years. The Association may bill the requesting Member for the direct and actual cost of copying and mailing requested documents, including staff time to compile the documents and redaction costs not to exceed ten dollars (\$10) per hour, and not to exceed two hundred dollars (\$200) total per written request. 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

(b) Director Inspection Rights. Every Director shall have an absolute right at any reasonable time to inspect all books, records, documents, and minutes of the Association and the physical properties owned by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

(c) Adoption of Reasonable Inspection Rules. With respect to inspection rights under (a), the Board of Directors may establish reasonable rules with respect to

- (i) notice of inspection,
- (ii) hours and days of the week when inspection may be made, and
- (iii) payment of the cost of reproducing copies of documents requested by the Member.

Section 15.02. Corporate Seal. The Association may have a corporate seal in circular form having within its circumference the words "Sun City Lincoln Hills Community Association, Incorporated January 26, 1999, State of California."

Section 15.03. Roberts Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 15.04. Amendment to Bylaws.

(a) Amendments Limited to Conforming Declaration to Mandated Changes in Statutory Law. Many provisions of this Declaration reflect legal requirements imposed on the Association, its Directors, Officers and Members by the Davis-Stirling Common Interest Development Act, California Civil Code Section 1350 et seq, the Nonprofit Mutual Benefit Corporation Law, California Corporations Code Section 7110, et seq, and other state and federal statutes. In the event that any such statute is amended, revoked or supplemented in a manner which requires a corresponding amendments of this Declaration in order to properly reflect underlying state or federal law, the Board of Directors, upon written advice of legal counsel and after Notification of members, may approve the amendments by an affirmative vote of two-thirds (2/3) of the Directors. Any such amendments shall be recorded and a copy shall be provided to Members with the next mailing to Members.

(b) Member Approval Requirements. Any amendment, other than stated in 17.01(a) of the CC&R's, shall be approved by the vote or assent by written ballot of the holders of not less than fifty-one percent (51 %) of the Voting Power of Members.

These Bylaws may be amended in any respect by the vote or assent by secret ballot of not less than fifty-one percent (51%) of the Voting Power of Members provided, however, that any percentage of the Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

(c) Notice of Amendment. Notice of any proposed amendment, modification, revision or revocation shall be given by written notice to the Members entitled to vote on the Amendment at least thirty (30) but not more than fifty (50) days prior to the meeting or written ballot called or conducted to solicit approval of those Members who are eligible to vote on the proposal. Such proposed amendments shall be posted upon the Association's bulletin boards thirty (30) days prior to the date of the Association ship meeting or the date when written ballots are mailed.

Section 15.05. Notice Requirements. The Board shall notify a Member involved in any disciplinary action or the potential for disciplinary action in writing with delivery by either personal delivery or first class mail. Such delivery shall be within the timelines and afford the Member such rights as described in CC&R Section 13.06(d)(ii) and Civil Code Section 1363(h). In such disciplinary actions, the Board shall use reasonable means to confirm that the Member, subject to such action, has received the written communication.

Section 15.06. Indemnification of Agents.

(a) Indemnification by Association of Directors, Officers, Employees and

Other Agents. To the fullest extent permitted by law, the Association shall indemnify its directors, officers, employees, and other agents described in Corporations Code Section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that Section and including an action by or in the right of the Association, by reason of the fact that such person is or was a person described by that Section. "Expenses," as used in this Section, shall have the same meaning as in Corporations Code Section 7237(a).

(b) Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification, hereunder, the Board shall promptly determine in accordance with Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

(c) Advancement of Expenses. Expenses incurred, by a person seeking indemnification in defending any proceeding, under paragraphs (a) and (b) shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid, unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(d) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its directors, officers, employees and other agents against other liability asserted against or incurred by any directors, officers, employees or agents status.

Section 15.07. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

Certificate of Secretary

The undersigned, Secretary of the corporation known as the Sun City Lincoln Hills Community Association ("Association"), hereby certifies that the above and foregoing Bylaws, consisting of ___-pages, were duly adopted by action of the Board of Directors of the corporation on _____, and that they now constitute the Bylaws of the Association.

Dated: _____

SUN CITY LINCOLN HILLS COMMUNITY ASSOCIATION
A California Nonprofit Mutual Benefit Corporation,

By: _____
_____, Secretary

EXHIBIT "A"

NOTICE REGARDING ASSESSMENTS AND FORECLOSURE

NOTICE ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND NONJUDICIAL FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1 and 1367.4 of the Civil Code.)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a Member or a Member's guests, if the governing documents provide for this (Sections 1366 and 1367.1 of the Civil Code).

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association (Section 1367.1 of the Civil Code).

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

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by 'Certified Mail – Return Receipt Requested' including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt (Section 1367.1 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard (Section 1367.1 of the Civil Code).

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

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments (Section 1367.1 of the Civil Code).

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 5 (commencing with Section 1363.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code), if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time (Section 1367.1 of the Civil Code).

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist (Section 1367.1 of the Civil Code).

The board of the directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist (Section 1367.1 of the Civil Code).

EXHIBIT "B"

STATEMENT REGARDING INSURANCE COVERAGE

This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association Member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage.