

**BYLAWS**  
**OF**  
**MORNINGSTAR ONE COMMUNITY ASSOCIATION**

**TABLE OF CONTENTS**

	<u>PAGE</u>
ARTICLE I	NAME AND LOCATION ..... 1
ARTICLE II	DEFINITIONS ..... 1
ARTICLE III	MEETINGS OF CLASS A MEMBERS FOR ELECTION OF DELEGATES ... 1
Section 3.1	Annual Meetings of Members ..... 1
Section 3.2	Selection of Delegates ..... 1
Section 3.3	Special Meetings ..... 1
Section 3.4	Location and Time of Meetings ..... 2
Section 3.5	Notice of Meetings ..... 2
Section 3.6	Non-Subassociation Delegate District Election of Delegate; Quorum ... 2
Section 3.7	Presumption of Notice ..... 2
Section 3.8	Parliamentary Procedures ..... 2
ARTICLE IV	MEETINGS OF ALL CLASSES OF MEMBERS ..... 3
Section 4.1	Annual Meetings ..... 3
Section 4.2	Special Meetings ..... 3
Section 4.3	Notice of Meetings ..... 3
Section 4.4	Quorum ..... 3
Section 4.5	Presumption of Notice ..... 4
Section 4.6	Consent of Absentees ..... 4
Section 4.7	Action Without Meeting ..... 4
Section 4.8	Parliamentary Procedures ..... 4
Section 4.9	Proxies ..... 4
Section 4.10	Membership Rights ..... 4
ARTICLE V	SELECTION AND TERM OF OFFICE OF DIRECTORS ..... 5
Section 5.1	Number ..... 5
Section 5.2	Term of Office; Election of Directors ..... 5
(a)	Before First Annual Meeting ..... 5
(b)	At First Annual Meeting Until Termination of Class C Membership ... 5
(c)	After Termination of Class C Membership ..... 5
(d)	Other Provisions ..... 6
Section 5.3	Removal ..... 6
Section 5.4	Compensation ..... 6
ARTICLE VI	INDEMNITY ..... 6
ARTICLE VII	NOMINATION AND ELECTION OF DIRECTORS ..... 7
Section 7.1	Nomination ..... 7
Section 7.2	Election ..... 7
ARTICLE VIII	MEETINGS OF DIRECTORS ..... 7
Section 8.1	Regular Meetings ..... 7
Section 8.2	Special Meetings ..... 8

	<u>PAGE</u>
Section 8.3	Quorum . . . . . 8
Section 8.4	Attendance . . . . . 8
Section 8.5	Action Without Meeting . . . . . 8
Section 8.6	Waiver of Notice . . . . . 8
Section 8.7	Notice of Adjournment . . . . . 9
Section 8.8	Board Minutes To Be Available To Members . . . . . 9
<b>ARTICLE IX</b>	<b>POWERS AND DUTIES OF THE BOARD OF DIRECTORS . . . . . 9</b>
Section 9.1	Rules . . . . . 9
Section 9.2	Suspension . . . . . 9
Section 9.3	General Rights and Powers; Borrowing Money; Selling MHOA Potential Maintenance Areas . . . . . 9
Section 9.4	Declaring Office of Board Member Vacant . . . . . 10
Section 9.5	Employment . . . . . 10
Section 9.6	Agreements for Maintenance; Joint Use and Cost Sharing . . . . . 10
Section 9.7	Subsidy and Maintenance Agreement . . . . . 10
Section 9.8	Corporate Records . . . . . 10
Section 9.9	Supervision . . . . . 10
Section 9.10	Assessments . . . . . 10
Section 9.11	Certification of Payment Status . . . . . 10
Section 9.12	Insurance . . . . . 11
Section 9.13	Fidelity Bond . . . . . 11
Section 9.14	Obligations Imposed by Master Declaration . . . . . 11
Section 9.15	Payment of Water Charges . . . . . 11
Section 9.16	Restoration and Replacement; Capital Expenditures . . . . . 11
Section 9.17	Enforcement . . . . . 11
Section 9.18	Goods and Services . . . . . 11
Section 9.19	Payment of Taxes . . . . . 12
Section 9.20	Financial Statements . . . . . 12
Section 9.21	Disciplinary Proceedings . . . . . 14
Section 9.22	Delegation . . . . . 14
Section 9.23	Litigation . . . . . 14
	(a) Code of Civil Procedure Section 383 . . . . . 14
	(b) Civil Code Section 1368.4 . . . . . 15
	(c) Civil Code Section 1354 . . . . . 15
	(d) Civil Code Section 1366.3 . . . . . 16
	(e) Civil Code Section 1375 . . . . . 16
<b>ARTICLE X</b>	<b>OFFICERS AND THEIR DUTIES . . . . . 17</b>
Section 10.1	Enumeration of Officers . . . . . 17
Section 10.2	Election of Officers . . . . . 17
Section 10.3	Term . . . . . 17
Section 10.4	Special Appointments . . . . . 17
Section 10.5	Resignation and Removal . . . . . 17
Section 10.6	Vacancies . . . . . 17
Section 10.7	Multiple Offices . . . . . 18

	<u>PAGE</u>
Section 10.8	Duties . . . . . 18
	(a) President . . . . . 17
	(b) Vice President . . . . . 18
	(c) Secretary . . . . . 18
	(d) Chief Financial Officer . . . . . 18
Section 10.9	Signing Checks, Etc. . . . . 18
Section 10.10	Compensation . . . . . 18
ARTICLE XI	COMMITTEES . . . . . 19
ARTICLE XII	BOOKS AND RECORDS . . . . . 19
ARTICLE XIII	OPERATING AND RESERVE ACCOUNTS . . . . . 19
Section 13.1	Definitions . . . . . 19
Section 13.2	Reviews . . . . . 20
Section 13.3	Signatures on Checks . . . . . 20
Section 13.4	Limitation on Expenditure of Reserve Funds . . . . . 20
Section 13.5	Reserve Study . . . . . 21
ARTICLE XIV	CORPORATE SEAL . . . . . 21
ARTICLE XV	AMENDMENTS . . . . . 21
Section 15.1	By Declarant . . . . . 21
Section 15.2	By Members . . . . . 22
Section 15.3	Amendments Material to Mortgagees . . . . . 22
Section 15.4	Conflicts . . . . . 23
ARTICLE XVI	MISCELLANEOUS . . . . . 23
Section 16.1	Fiscal Year . . . . . 23
Section 16.2	Audited Financial Statement . . . . . 23
Section 16.3	Distribution to Members of Information About Insurance . . . . . 23
Section 16.4	Voting . . . . . 24
Section 16.5	Non-voting Associate Memberships . . . . . 24
ARTICLE XVII	NOTICE TO LENDERS . . . . . 24
ARTICLE XVIII	ANNEXATION . . . . . 24
ARTICLE XIX	REFERENCES TO STATUTES . . . . . 24

**BYLAWS**  
**OF**  
**MORNINGSTAR ONE COMMUNITY ASSOCIATION**

**ARTICLE I**

**NAME AND LOCATION**

The name of the corporation is MORNINGSTAR ONE COMMUNITY ASSOCIATION, hereinafter referred to as the "Master Association." The principal office of the Master Association shall be located in Riverside County, California.

**ARTICLE II**

**DEFINITIONS**

All terms which are defined in the Master Declaration shall have the same meaning, for purposes of these Bylaws, and is so defined in the Master Declaration. "Master Declaration" shall mean and refer to the Declaration of Restrictions for Morningstar One recorded with the Office of the County Recorder of Riverside County, California, including such amendments thereto as may from time to time be recorded.

**ARTICLE III**

**MEETINGS OF CLASS A MEMBERS FOR ELECTION OF DELEGATES**

**Section 3.1. Annual Meetings of Members.** There shall be an annual meeting of Class A Members in each Delegate District not covered by a Subassociation (hereinafter "Non-Subassociation Delegate District") to elect a Delegate pursuant to the Section of the Master Declaration entitled "Voting by Delegates" of the Article entitled "MEMBERSHIP AND VOTING RIGHTS IN MASTER ASSOCIATION". Such meeting shall be held not less than ten (10) days nor more than sixty (60) days prior to each annual meeting of all the Master Association Members; provided, however, the initial annual meeting of such Class A Members shall take place immediately prior to the initial meeting of all the Master Association Members.

**Section 3.2. Selection of Delegates.** At the initial meeting of such Class A Members within each Non-Subassociation Delegate District, and at each subsequent annual meeting, the Members shall elect one Delegate and one Alternate Delegate as provided in the Section entitled "Voting by Delegates" in the Article in the Master Declaration entitled "MEMBERSHIP AND VOTING RIGHTS IN MASTER ASSOCIATION".

**Section 3.3. Special Meetings.** Special meetings of Class A Members within any Delegate District for any purpose or purposes whatsoever may be called at any time by the

Delegate or Alternate Delegate or by the written request of five percent (5%) or more of the voting power of Members within the Delegate District.

**Section 3.4. Location and Time of Meetings.** All meetings of Members shall be held within the Home Sites or such other location within Riverside County in reasonable proximity to the Home Sites as may be designated in the notice of meeting.

**Section 3.5. Notice of Meetings.** Written notice of each meeting of the Members within a Delegate District shall be given by, or at the direction of, the Delegate, Alternate Delegate or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to each Member within a Delegate District entitled to vote thereat, addressed to the Member's address last appearing on the books of the Master Association or supplied by such Member to the Master Association for the purpose of notice, and to each Eligible Mortgage Holder. Such notice shall specify the place, day and hour of the meeting. Each Eligible Mortgage Holder shall be entitled to designate a representative who shall have the right to attend all meetings of Members.

**Section 3.6. Non-Subassociation Delegate District Election of Delegate; Quorum.** The presence at the meeting of Members within a Non-Subassociation Delegate District entitled to cast, or of proxies entitled to cast, a majority of the total voting power of the Delegate District (*i.e.*, of the Class A voting power) shall constitute a quorum for election of the Delegate and Alternate Delegate. The Members present at a duly called or held meeting at which a quorum is present may continue with such elections until adjournment notwithstanding the withdrawal of enough voting power to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting, the Members of such Non-Subassociation Delegate District present in person or by proxy may not continue with such elections but shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented or, unless otherwise provided by law, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be fifteen percent (15%) of the total voting power of the Non-Subassociation Delegate District. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

**Section 3.7. Presumption of Notice.** A recitation in the minutes of any membership meeting that notice of such meeting had been properly given shall be prima facie evidence that such notice was so given.

**Section 3.8. Parliamentary Procedures.** Meetings of the Class A Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Master Association may adopt.

## ARTICLE IV

### MEETINGS OF ALL CLASSES OF MEMBERS

**Section 4.1. Annual Meetings.** The first annual meeting of Members shall be held within forty-five (45) days after close of escrow for the sale by Declarant or the first Guest Builder, as applicable, of fifty-one percent (51%) of the Separate Interests covered by the first Final Subdivision Public Report issued by the California Department of Real Estate if such first Final Subdivision Public Report covers fifty (50) or more Separate Interests. In no event shall the meeting be held later than six (6) months after the close of escrow for the sale of the first Separate Interest by Declarant or the first Guest Builder, as applicable, to a Retail Buyer. Subsequent annual meetings of the Members shall be held during the same month of each year thereafter on the day and at the time determined by the Board. If the day for any annual meeting of the Delegates is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. Annual meetings of Members shall be held within the Home Sites or at such other location in Riverside County, California, in reasonable proximity to the Home Sites, as may be designated in the notice of meeting. The Delegates will represent the Class A Members at all meetings of Members.

**Section 4.2. Special Meetings.** Special meetings of Members, for any purpose or purposes whatsoever, may be called at any time by the president or by a majority of a quorum of the Board, or by the written request of five percent (5%) or more of the voting power of the Master Association. The Delegates will represent the Class A Members at all special meetings of Members unless the special meeting has been requested by Members who hold five percent (5%) or more of the voting power of the Master Association and in their request specify that no Delegates will represent Class A Members at the special meeting; in this event the Class A Members, or their proxies, if any, and not the Delegates shall directly cast their votes on matters which may be voted upon.

**Section 4.3. Notice of Meetings.** Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to Declarant as the Class C Member, each Class B member and to each Delegate entitled to vote thereat, addressed to the addresses last appearing on the books of the Master Association or supplied by such Member or Delegate to the Master Association for the purpose of notice, and to each Eligible Mortgage Holder. Such notice shall specify the place, day and hour of the meeting and those matters which the Board at the time of the mailing of the notice intends to present for action by the Members; provided, however, except as otherwise provided by law, any proper matter may be presented at the meeting for action. Each Eligible Mortgage Holder shall be entitled to designate a representative who shall have the right to attend all meetings of Members.

**Section 4.4. Quorum.** The presence at the meeting of persons entitled to cast, or of proxies entitled to cast, a majority of the total voting power of the Master Association shall constitute a quorum for any action except as otherwise provided in the Articles, the Master Declaration (including the Article entitled "COVENANT FOR MAINTENANCE ASSESSMENTS TO MASTER ASSOCIATION") or these Bylaws. The persons present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough voting power to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting, the

persons present in person or by proxy may not transact business but shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented or, unless otherwise provided by law, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the total voting power of the Master Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Delegates in the manner prescribed for regular meetings. Anything herein stated to the contrary notwithstanding, the Class C Member must be present for purposes electing directors at the annual or a special meeting of Members.

**Section 4.5. Presumption of Notice.** A recitation in the minutes of any membership meeting that notice of such meeting had been properly given shall be prima facie evidence that such notice was so given.

**Section 4.6. Consent of Absentees.** The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the Delegates and Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

**Section 4.7. Action Without Meeting.** Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Members, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California CORPORATIONS CODE.

**Section 4.8. Parliamentary Procedures.** Meetings of the Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Master Association may adopt.

**Section 4.9. Proxies.** Every Member entitled to vote for any purpose shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the secretary of the Master Association, provided that no such proxy shall be valid after the expiration of eleven (11) months following the date of its execution. Any such form of proxy or written ballot shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except that a candidate for election to the Board or for election as a Delegate or Alternate Delegate need not be named in a proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

**Section 4.10. Membership Rights.** No Member, Delegate or Owner shall have the right without the prior approval of the Board to exercise any of the powers or to perform any of the acts by these Bylaws delegated to the Board. The membership rights and privileges,



together with the voting rights for any Home Site attributable to an Owner may be suspended by the Board for any period of time during which the assessment on the Home Site remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Master Association's published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board. Should the Board believe grounds may exist for any such suspension, the Board shall give to the Owner believed to be in violation at least fifteen (15) days' prior written notice of the intended suspension and the reasons therefor. The Owner shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last addresses of the Owner shown on the Master Association's records. Anything herein stated to the contrary notwithstanding, the Board shall not have the power to suspend any Owner's rights of access or utilities to his or her Home Site, and no Member may be expelled from the Master Association.

## ARTICLE V

### SELECTION AND TERM OF OFFICE OF DIRECTORS

**Section 5.1. Number.** Until the first election of directors by the Members, the affairs of the Master Association shall be managed by a Board of three (3) directors, who need not be Members of the Master Association. Thereafter, the affairs of the Master Association shall be managed by a Board of five (5) directors, who need not be Members of the Master Association.

**Section 5.2. Term of Office; Election of Directors.**

(a) ***Before First Annual Meeting.*** Until the first meeting of Members, the directors shall be appointed and continue to serve pursuant to Declarant's appointments. Any director appointed by Declarant may be removed and replaced by Declarant.

(b) ***At First Annual Meeting Until Termination of Class C Membership.*** At the first annual meeting of Members, and continuing for each annual meeting until termination of Class C membership, the Class C Member shall elect a majority of the Board and the Delegates shall elect the remaining directors. However, if the Class C Member shall have voluntarily reduced the number of directors which the Class C Member is entitled to elect, the Class C Member shall elect only the reduced number of directors, and the Delegates shall elect the remaining directors. Any director elected by the Delegates at the first annual meeting of Members shall be elected for a one (1) year term, and any director elected by Declarant at the first annual meeting of Members shall be elected for a two (2) year term.

(c) ***After Termination of Class C Membership.*** At the annual meetings of Members which take place after termination of the Class C membership, all of the directors shall be elected by the Delegates and the Class B membership. Declarant shall have the right to voluntarily terminate the Class C membership at any time. The Class C membership shall terminate on the date stated in the Master Declaration.

(d) **Other Provisions.** At the first annual meeting, three (3) directors shall be elected for a term of two (2) years and two (2) directors shall be elected for a term of one (1) year pursuant to Section 5.2(b) above. Thereafter, directors shall be elected at each annual meeting of Members to fill the vacancies of those directors whose term then expires and the term of each such director so elected shall be two (2) years. If any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their successors are elected. The Class B Members shall not be entitled to vote for directors until expiration of the Class C membership. Upon expiration of the Class C membership, all directors shall be elected by the Delegates and the Class B Members. All directors shall hold office until their successors are elected.

**Section 5.3. Removal.** The entire Board may be removed, with or without cause, by a vote for removal by the Class C Member and a majority vote of the Delegates. Unless the entire Board is so removed, an individual director shall not be removed except by the Class C Member if elected by the Class C Member. An individual director elected by the Delegates and/or Class B Members shall not be removed if the number of votes against the resolution for his or her removal or not consenting in writing to his or her removal would be sufficient to elect the 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 most recent election of directors by the Delegates were then being elected. Any director elected to office solely by the votes of Delegates representing Members other than Declarant may be removed from office prior to the expiration of his term only upon the vote of Delegates representing a simple majority of the voting power of Members other than Declarant. In the event of death or resignation of a director, his or her successor may be selected by the remaining members of the Board and shall serve for the unexpired term of his or her predecessor. In the event of removal of a director, his or her successor shall be selected by a vote of the Class C Member if the removed director was elected by the Class C Member. In the event of removal of a director elected by the Delegates and/or Class B Members, his successor shall be selected by a vote of the Delegates and/or Class B Members, as applicable. A replacement director shall serve for the unexpired term of his predecessor.

**Section 5.4. Compensation.** No director shall receive compensation for any services he or she may render to the Master Association. However, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

## **ARTICLE VI**

### **INDEMNITY**

The Association shall indemnify any present or former director or officer of the Association to the fullest extent authorized under California CORPORATIONS CODE §7237, or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was entitled to be indemnified under this provision.

## ARTICLE VII

### NOMINATION AND ELECTION OF DIRECTORS

**Section 7.1. Nomination.** Nomination for election to the Board of directors to be elected by the Delegates may be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Delegates. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Delegates to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled by the Delegates. Such nominations may be made from among the Members or non-members. Anything herein to the contrary notwithstanding, the first election of the Board shall receive nominations only from the floor at the first annual meeting. Each nominee shall be given a reasonable opportunity to communicate to the Members the nominee's qualifications and the reasons for the nominee's candidacy. Each nominee shall be given a reasonable opportunity to solicit votes and the Delegates shall be given a reasonable opportunity to choose among the nominees.

**Section 7.2. Election.** Election to the Board by the Delegates shall be by secret written ballot. No Delegate shall have the right to cumulate his or her votes unless the candidates' names have been placed in nomination prior to the voting and the Delegate has given notice to the meeting prior to the voting of the Delegate's intention to cumulate votes. If one Delegate is entitled to cumulate votes, all Delegates shall have the right to cumulate votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he or she is entitled, or to distribute his or her votes on the same principle among as many candidates as he or she shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. The voting power of Class B Members shall not extend to the election of directors until the Class C Membership has terminated.

## ARTICLE VIII

### MEETINGS OF DIRECTORS

**Section 8.1. Regular Meetings.** Unless otherwise changed by the Board, regular meetings of the Board shall be held bi-monthly, at such place and hour within the Home Sites as may be fixed from time to time by resolution of the Board. Should said meeting day fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of all such regular meetings of the Board shall be posted at a prominent place within the Home Sites (unless there is no suitable posting location, in which case notice shall be communicated to the Owners by any means the Board deems appropriate) and communicated to the directors not fewer than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

**Section 8.2. Special Meetings.** Special meetings of the Board shall be held when called by the president of the Master Association, or by any two (2) directors other than the president, after the notice is given to each director as stated below.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be delivered personally to the directors or sent to each director by letter mailed first class, certified or registered mail or by telegram, charges prepaid, addressed to such director at his or her address as it is shown upon the records of the Master Association or, if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Master Association is located at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, it shall be so delivered at least seventy-two (72) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such director. Written notice of all special meetings shall also be posted or otherwise communicated to the Owners in a manner prescribed for notice of regular meetings not fewer than seventy-two (72) hours prior to the scheduled time of the meeting. Notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

**Section 8.3. Quorum.** A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

**Section 8.4. Attendance.** Regular and special meetings of the Board shall be open to all Members. The Board may with the vote of a majority of its members present at a meeting in which a quorum has been established adjourn to executive session in which Members of the Master Association may be excluded, to consider litigation, matters that relate to the formation of contracts with third parties, or personnel matters. The nature of any and all business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the minutes of the Board. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

The Board shall permit any Member to speak at any meeting of the Members or the Board, except meetings of the Board held in executive session. A reasonable time limit for all Members of the Master Association to speak to the Board or before a meeting of Members shall be established by the Board.

**Section 8.5. Action Without Meeting.** Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action to be taken or actually taken by the Board shall be given to the Members of the Master Association within three (3) days after all written consents have been obtained. Said explanation shall be given in the same manner as provided in these Bylaws for the giving of notice

of regular meetings of the Board. Failure to give such notice shall not render the action to be taken or actually taken invalid.

**Section 8.6. Waiver of Notice.** The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting to be held after regular call and notice if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Nothing contained herein shall remove the obligation to post the notice of all directors' meetings within the Home Sites.

**Section 8.7. Notice of Adjournment.** Notice of any adjournment of any directors' meeting, either regular or special, to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

**Section 8.8. Board Minutes To Be Available To Members.** 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, other than an executive session, shall be available to Members within 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 Master Association's costs in making that distribution.

Members shall be notified in writing at the time that the Master Association's pro forma budget is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

## **ARTICLE IX**

### **POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

Subject to the provisions of the Master Declaration, the Articles and the California Nonprofit Mutual Benefit Corporation Law, the Board shall have the following powers and duties:

**Section 9.1. Rules.** To adopt and publish rules and regulations governing the use of the MHOA Potential Maintenance Areas and facilities, and the personal conduct of the Owners and their guests thereon, and to establish penalties for the infraction thereof.

**Section 9.2. Suspension.** To suspend the voting rights and right to use of any recreational facilities of an Owner (or his Subassociation) with respect to his or her Home Site during any period in which such Owner is in default in the payment of any assessment levied by the Master Association.

**Section 9.3. General Rights and Powers; Borrowing Money; Selling MHOA Potential Maintenance Areas.** To perform any right of the Master Association set forth in the Master Declaration or in any declaration of restrictions or other instrument, and to exercise for the Master Association all powers, duties and authorities vested in or delegated to this Master Association and not reserved to the membership by other provisions of these Bylaws, the

Articles or the Master Declaration; provided, however, that the Board shall not have the power to borrow money for the Master Association, nor to sell property of the Master Association during any fiscal year having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Master Association for the fiscal year unless the borrowing or the sale is, by vote at a meeting or by written ballot without a meeting pursuant to California CORPORATIONS CODE Section 7513, approved by a majority of the voting power of Members of the Master Association, other than Declarant, constituting a quorum consisting of more than fifty percent (50%) of the voting power of Members of the Master Association, other than Declarant.

**Section 9.4. Declaring Office of Board Member Vacant.** To declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board.

**Section 9.5. Employment.** To employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

**Section 9.6. Agreements for Maintenance; Joint Use and Cost Sharing.** To enter into agreements for the maintenance of slopes, parkways, medians and similar areas and for sharing costs of such maintenance with owners of properties within the overall community but which are not subject to assessment by the Master Association. To enter into agreements for the joint use and cost sharing of MHOA Potential Maintenance Areas recreational facilities with owners of properties within the overall community but which are not subject to assessment by the Master Association.

**Section 9.7. Subsidy and Maintenance Agreement.** To enter into an agreement with Declarant or a Guest Builder for the maintenance of MHOA Potential Maintenance Areas or for the subsidy of the Master Association's assessments, the terms of which has been approved by the California Department of Real Estate.

**Section 9.8. Corporate Records.** To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Delegates at the annual meeting of the Delegates, or at any special meeting when such statement is requested in writing by Delegates or Members who hold one-fourth (1/4) of the Class A voting power.

**Section 9.9. Supervision.** To supervise all officers, agents and employees of this Master Association, and to see that their duties are properly performed.

**Section 9.10. Assessments.** As more fully provided in the Master Declaration to:

- (a) fix the amount of the regular assessments;
- (b) send written notices of changes in assessment amounts to every Owner subject thereto.

**Section 9.11. Certification of Payment Status.** To furnish, or to cause an appropriate officer or agent to furnish, upon demand by any person, a certificate signed by an officer of the Master Association setting forth whether the assessments on a specified Home Sites have been paid. A properly executed certificate of the Master Association as to the status of

assessments on a Home Site is binding upon the Master Association as of the date of its issuance.

**Section 9.12. Insurance.** To procure and maintain such insurance as is required by the Master Declaration, and to collect and disburse casualty insurance proceeds for reconstruction and repair of the insured MHOA Potential Maintenance Areas improvements, if any.

**Section 9.13. Fidelity Bond.** To procure and maintain such fidelity bond as required by the Master Declaration.

**Section 9.14. Obligations Imposed by Master Declaration.** To discharge the maintenance and other obligations imposed on the Master Association by the Master Declaration.

**Section 9.15. Payment of Water Charges.** To pay all charges for water metered or charged to the MHOA Potential Maintenance Areas.

**Section 9.16. Restoration and Replacement; Capital Expenditures.** To restore or replace any or all of the structures or improvements on the MHOA Potential Maintenance Areas at any time and from time to time as the Board may determine desirable or necessary, and to make capital expenditures for and on behalf of the Master Association; provided, however, that aggregate capital expenditures may not be incurred during any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year unless the capital expenditure is, by vote at a meeting or by written ballot without a meeting pursuant to California CORPORATIONS CODE Section 7513, approved by a majority of the voting power of Members of the Master Association, other than Declarant, constituting a quorum consisting of more than fifty percent (50%) of the voting power of Members of the Master Association, other than Declarant.

**Section 9.17. Enforcement.** To enforce the provisions of the Master Declaration, these Bylaws, any agreement to which the Master Association is a party and any declaration of restrictions in which the Master Association has enforcement rights.

**Section 9.18. Goods and Services.** To contract and pay for goods and services relating to the MHOA Potential Maintenance Areas, including legal and accounting services; provided, however, that the term of any service or management contract shall be limited to a duration of one (1) year unless a longer term is, by vote at a meeting or by written ballot without a meeting pursuant to California CORPORATIONS CODE Section 7513, approved by a majority of the voting power of Members of the Master Association, other than Declarant, constituting a quorum consisting of more than fifty percent (50%) of the voting power of Members of the Master Association, other than Declarant, with the following exceptions:

(a) a management contract, the terms of which have been approved by the FHA or the VA;

(b) a contract with a public utility company for materials or services the rates for which are regulated by the Public Utilities Commission may exceed a term of one (1) year so long as it does not exceed the shortest term for which the public utility will contract at the regulated rate;

(c) a contract for prepaid casualty and/or liability insurance policies may be for a term of not to exceed three (3) years provided that the policy permits short rate cancellation by the Master Association;

(d) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration, provided that the supplier is not an entity in which Declarant or any Guest Builder has a direct or indirect ownership interest of ten percent (10%) or more;

(e) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years' duration, provided that the supplier or suppliers are not entities in which Declarant or any Guest Builder has a direct or indirect ownership interest of ten percent (10%) or more; and

(f) contracts with a term not to exceed three (3) years which are terminable by the Master Association without cause, penalty or other obligation after one (1) year upon ninety (90) days written notice of termination given by the Master Association to the other party.

Any agreement for professional management or any other contract providing for services by Declarant must provide for termination by either party without cause or payment of a termination fee upon ninety (90) days or fewer written notice.

**Section 9.19. Payment of Taxes.** To pay any taxes and special assessments which are or could become a lien on the MHOA Potential Maintenance Areas.

**Section 9.20. Financial Statements.** The Board shall do the following:

(a) Annual Reports. Annual reports consisting of the following shall be distributed within one hundred twenty (120) days after close of the Master Association's fiscal year:

(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 changes in financial position for the fiscal year;

(iv) a statement of the place where the names and addresses of the current Members are located,

(v) any information required to be reported under Section 8322 of the California CORPORATIONS CODE;

(vi) for any fiscal year in which the gross income to the Master Association exceeds \$75,000.00, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(b) Independent Accountant. The annual report referred to in Subsection (a) above shall be prepared by an independent accountant.



(c) Statement of Master Association's Policies. A statement of the Master Association's policies and practices in enforcing its remedies against Members for default in the payment of annual and special assessments, including the recording and foreclosing of liens against Members' interests in the Project, shall be distributed to Members within sixty (60) days prior to the beginning of each fiscal year.

(d) Annual Budgets. The Board shall cause a pro forma operating statement (budget) for the Master Association to be prepared for the second and each subsequent fiscal year of the Master Association, a copy of which shall be distributed personally or by mail to each of the Members not fewer than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year to which the budget relates. The budget shall include the following information:

(i) The estimated revenue and expenses of the Master Association on an accrual basis for the next fiscal year.

(ii) A summary of the Master Association's reserves based upon the most recent review or study conducted pursuant to these Bylaws, which shall be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component in the MHOA Potential Maintenance Areas.

(B) As of the end of the fiscal year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components of the MHOA Potential Maintenance Areas.

(2) The current amount of the accumulated cash reserves actually set aside to repair, replace, restore or maintain the major components of the MHOA Potential Maintenance Areas.

(3) If applicable, the amount of funds received from either a compensatory damage award or settlement to the Master Association from any person or entity for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to **Subsection (d)(ii)(B)(2)**. In lieu of complying with the requirements set forth in this Subsection, if the Master Association is obligated to issue a review of its financial statement pursuant to **Subsection (d)(ii)(B)(3)**, the Master

Association may include in the review a statement containing all of the information required by this Subsection.

(iii) The percentage of the amount determined pursuant to **Subsection (d) (ii)(B)(2)** above of the amount determined pursuant to **Subsection (d)(ii)(B)(1)** above.

(iv) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor.

(v) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the future costs of repair, replacement or additions to major components of the MHOA Potential Maintenance Areas for which the Master Association is responsible.

(e) Budget Summary. In lieu of distributing the budget, the Board may at its election distribute a summary of the budget along with a written notice (in at least 10 point bold type on the front page of the summary) that the budget is available at the business office of the Master Association or at another suitable location within the boundaries of the Home Sites, and that copies will be provided upon request and at the expense of the Master Association. If any Member requests a copy of the budget to be mailed to the Member, the Master Association shall provide the copy to the Member by first-class United States mail at the expense of the Master Association and delivered within five (5) days.

(f) Notice of Right to Have Copies of Minutes. At the time the budget is distributed or at the time of any general mailing, Members shall be notified in writing of their right to have copies of the minutes of meetings of the Board and as to how and where those minutes may be obtained and the cost of obtaining such copies.

**Section 9.21. Disciplinary Proceedings.** To initiate and execute disciplinary proceedings against Owners for violations of the provisions of the Articles and Bylaws, the Master Declaration and the rules and regulations adopted by the Board.

**Section 9.22. Delegation.** To delegate any of its powers hereunder to others, including committees, officers and employees.

**Section 9.23. Litigation.**

(a) ***Code of Civil Procedure Section 383.*** Pursuant to Section 383 of the CODE OF CIVIL PROCEDURE, the Master Association shall have standing to institute, defend, settle or intervene in litigation, arbitration, mediation or administrative proceedings in its own name as the real party in interest and without joining with it the individual Owners, in matters pertaining to the following:

(i) Enforcement of the Master Declaration and related governing documents;

(ii) Damage to the MHOA Potential Maintenance Areas;

(iii) Damage to improvements to the Home Sites which the Master Association is obligated to maintain or repair; and

(iv) Damage to improvements to the Home Sites which arise out of, or is integrally related to, damage to the MHOA Potential Maintenance Areas.

(b) **Civil Code Section 1368.4.** Pursuant to CIVIL CODE Section 1368.4:

(i) Not later than thirty (30) days prior to the filing of any civil action by the Master Association against Declarant or other developer of the Home Sites for: alleged damage to the MHOA Potential Maintenance Areas which the Master Association is obligated to maintain or repair; or alleged damage to dwellings on Home Sites which arise out of, or are integrally related to, damage to the MHOA Potential Maintenance Areas (which the Master Association is obligated to maintain or repair), the Board of Directors shall provide written notice to each Member of the Master Association. This notice shall specify all of the following:

(A) That a meeting will take place to discuss problems that may lead to the filing of a civil action;

(B) The options, including civil actions, that are available to address the problems; and

(C) The time and place of this meeting.

(ii) Notwithstanding Subsection (i) above, if the Board has reason to believe that the applicable statute of limitations will expire before the Master Association files the civil action, the Master Association may give the notice, as described above, within thirty (30) days after the filing of the action.

(c) **Civil Code Section 1354.** The Master Association shall comply with CIVIL CODE Section 1354, which, in brief summary and in part, provides as follows:

(i) Unless the applicable time limitation for commencing the action would expire within 120 days prior to filing a civil action by the Master Association or Owner, the Master Association and Owners shall endeavor to submit their disputes to a form of alternative dispute resolution, such as mediation or arbitration with respect to claims for injunction, declaratory relief or monetary damages of \$5,000 or less.

(ii) Any party to such a dispute may initiate the process by serving on another party to the dispute a Request for Resolution, as described in CIVIL CODE Section 1354.

(iii) The Association shall annually provide a summary of the provisions of CIVIL CODE Section 1354, which specifically references that Section. The summary shall include the following language:

"Failure by any member of the association to comply with the pre-filing requirements of Section 1354 of the CIVIL CODE may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents."

The summary shall be provided either at the time the pro forma budget is distributed as required by Section 1365 of the CIVIL CODE or in the manner specified in Section 5016 of the CORPORATIONS CODE.

(d) **Civil Code Section 1366.3.** The Master Association shall comply with CIVIL CODE Section 1366.3 which, in part, provides that assessment collection proceedings continue to be exempt from the alternative dispute resolution requirements of CIVIL CODE Section 1354, unless the Member elects to follow the dispute resolution procedure established by CIVIL CODE Section 1366.3. CIVIL CODE Section 1366.3 requires the Master Association to notify a Member that an assessment collection dispute may be resolved through alternative dispute resolution as provided in CIVIL CODE Section 1354, by civil action, or by any other procedure available to the Master Association to resolve collection disputes if:

(i) The Member pays the Master Association the amount in dispute, late charges, interest and all fees and costs associated with the preparation and filing of the notice of delinquent assessment, including all mailing costs and attorney's fees not to exceed \$425.00; and

(ii) The Member notifies the Master Association in writing by certified mail not more than thirty (30) days following recordation of a notice of delinquent assessment that the assessment payment is made under penalty of protest.

CIVIL CODE Section 1366.3 sets forth other limitations and requirements.

(e) **Civil Code Section 1375.** The Master Association shall comply with CIVIL CODE Section 1375 which is a complex statute which sets forth various requirements pertaining to claims for defects in design or construction of the project, including requirements which must be met before such a claim is filed. Some of the matters covered by CIVIL CODE Section 1375 include the following:

(i) A requirement of written notice before an action is commenced.

(ii) Listing defects.

(iii) Surveying or questioning Owners regarding the nature and extent of defects.

(iv) Meetings, settlement attempts and alternative dispute resolution between the Declarant and the Board.

(v) Possible tolling of statutes of limitations and cancellation of such tolling.

- (vi) Inspection and testing and making available the results of the inspections and tests.
- (vii) Notice to insurers of meetings between the Declarant and the Board.
- (viii) Procedures for a settlement offer.
- (ix) Procedures for various notices to the Owners and for holding a meeting of the Owners if the Master Association rejects a settlement offer.
- (x) Possible excuse from compliance with CIVIL CODE Section 1368.4.
- (xi) Provisions which allow for a special meeting of the Members of the Master Association if requested by 5% of the Members.
- (xii) Certain remedies for failure to comply with CIVIL CODE Section 1375.

## **ARTICLE X**

### **OFFICERS AND THEIR DUTIES**

**Section 10.1. Enumeration of Officers.** The officers of the Master Association shall be a president and vice president, who shall at all times be members of the Board, a secretary and a chief financial officer, and such other officers as the Board may from time to time by resolution create.

**Section 10.2. Election of Officers.** The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

**Section 10.3. Term.** The officers of the Master Association shall be elected annually by the Board, and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise become disqualified to serve.

**Section 10.4. Special Appointments.** The Board may elect such other officers as the affairs of the Master Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

**Section 10.5. Resignation and Removal.** Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 10.6. Vacancies.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

**Section 10.7. Multiple Offices.** The offices of secretary and chief financial officer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Section 10.4 of this Article.

**Section 10.8. Duties.** The duties of the officers are as follows:

(a) **President.** The president shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all promissory notes.

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

(c) **Secretary.** The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Delegates; keep the corporate seal of the Master Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members together with their addresses, and shall perform such other duties as required by the Board.

(d) **Chief Financial Officer.** The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Master Association and shall disburse such funds as directed by resolution of the Board; keep proper books of account; cause an annual audit of the Master Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures as required by these Bylaws.

The Board may designate a professional property management company to make deposits in a trust account established by such company; provided, however, a separate trust account shall be established for the Master Association so that the Association's deposits will not be commingled with non-Master Association funds; provided, further, pursuant to the Article below entitled "OPERATING AND RESERVE ACCOUNTS", a separate account(s) shall be established in the name of the Master Association for the deposit of reserves and the Association shall require its property manager, if one is designated, to deposit reserves in such separate account on at least a monthly basis. The Master Association shall maintain a fidelity bond in an appropriate amount naming the Master Association as obligee and insuring against loss by reason of the acts of the management agent and its employees. The fidelity bond shall be in an amount equal to not less than three (3) months' aggregate regular assessments (including reserves) by the Master Association against all Home Sites then subject to assessment.

**Section 10.9. Signing Checks, Etc.** All checks, notes, leases and deeds of trust of the Association shall be signed by at least two persons who hold offices of this Association, and one such person must be the president or the vice president. The Board may designate a professional property management company to pay the Master Association's operating expenses from a trust account established pursuant to the Subsection above entitled "Chief Financial Officer".

**Section 10.10. Compensation.** No officer of the Master Association shall receive compensation for his or her services performed in the conduct of the business of the Master Association; provided, however, any officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

## **ARTICLE XI**

### **COMMITTEES**

The Board shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

## **ARTICLE XII**

### **BOOKS AND RECORDS**

The books, minutes of meetings of Members and of the Board and committees, records, membership register (including mailing addresses and telephone numbers), and papers of the Master Association shall at all times, during reasonable business hours, be subject to inspection by any Member or Owner or by his or her duly appointed representative, and by any Eligible Mortgage Holder. The Master Declaration, the Articles and the Bylaws shall be available for inspection by any Member at the principal office of the Master Association, where copies may be purchased at a reasonable cost. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the costs of reproducing copies of documents requested by a Member, Owner or Mortgagee.

Every director of the Master Association shall have the absolute right at any reasonable time to inspect the MHOA Potential Maintenance Areas, and all books, records and documents of the Master Association. The right of inspection by a director shall include the right at his expense to make extracts and copies of documents.

## **ARTICLE XIII**

### **OPERATING AND RESERVE ACCOUNTS**

**Section 13.1. Definitions.** As used in this Article:

- (a) "Reserve accounts" means moneys that the Board has identified for use to defray the future repair or replacement of, or additions to, those major components which the Master Association is obligated to maintain.

(b) "Reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Master Association is obligated to maintain.

**Section 13.2. Reviews.** The Board shall do the following:

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

(b) Review a current reconciliation of the Master Association's reserve accounts on at least a quarterly basis.

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

(d) Review the latest account statements prepared by the financial institutions where the Master Association has its operating and reserve accounts.

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

**Section 13.3. Signatures on Checks.** The signatures of at least (i) two directors or (ii) one officer who is not a director and the signature of a director shall be required for the withdrawal of moneys from the Master Association's reserve accounts.

**Section 13.4. Limitation on Expenditure of Reserve Funds.**

(a) Except as provided in Subsection (b) below, the Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement or maintenance of, major components which the Master Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established.

(b) The Board may authorize the temporary transfer of money from a reserve fund to the Master Association's general operating fund to meet short-term cash flow requirements or other expenses, provided the Board has made written findings, included in the Board's minutes, explaining the reasons the transfer is needed and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Master Association, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this Section. A special assessment made by the Board pursuant to this Subsection (b) is subject to the limitation imposed by California CIVIL CODE Section 1366. The Board may extend the date the payment of the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.



(c) In the event the Board decides to use reserve funds or to temporarily transfer money from the reserve funds to pay for litigation, the Board shall notify the Members of the decision in the next available mailing to Members pursuant to California CORPORATIONS CODE Section 5016 and of the availability of an accounting of those expenses. The Board shall provide an accounting of expenses related to the litigation at least quarterly and shall make the accounting available for inspection by Members at the office of the Master Association.

**Section 13.5. Reserve Study.** Pursuant to CIVIL CODE Section 1365.5(e), at least once every three years the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Master Association is obligated to repair, replace, restore or maintain as a part of a study of the reserve account requirements of the project to be conducted if the current replacement value of the major components which the Master Association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the gross budget of the Master Association for any fiscal year which excludes the Master Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

The study required by this Section shall at a minimum include:

(a) Identification of the major components which the Master Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years.

(b) Identification of the probable remaining useful life of the components identified in paragraph (a) as of the date of the study.

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in paragraph (a) during and at the end of its useful life.

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

#### **ARTICLE XIV**

#### **CORPORATE SEAL**

The Master Association shall have a seal in circular form having within its circumference the words: MORNINGSTAR ONE COMMUNITY ASSOCIATION, a California corporation.

#### **ARTICLE XV**

#### **AMENDMENTS**

**Section 15.1. By Declarant.** Prior to the date escrow closes for any sale of a Home Site to a Retail Buyer, these Bylaws may be unilaterally amended by Declarant.

**Section 15.2. By Members.** Except as may otherwise be stated herein, these Bylaws may be amended at any time and from time to time by an instrument in writing signed by the Master Association's secretary certifying that (i) at least a majority of the Class B voting power and (ii) not less than a majority of the voting power of the Class A membership of the Master Association have approved such amendment, any which amendment shall become effective upon such certification being made. After conversion of the Class B membership in the Master Association to Class A membership, this Master Declaration may be amended at any time and from time to time by an instrument in writing signed by the Master Association's secretary certifying that Delegates who hold not less than (A) a majority of the total voting power of the Master Association, and (B) at least a majority of the voting power of Members of the Master Association other than Declarant or a Guest Builder have approved such amendment.

Notwithstanding the above provisions, the percentage of the voting power necessary to amend a specific clause or provision in the Bylaws shall not be less than the percentage of affirmative votes necessary for action to be taken under that clause or provision.

Anything herein stated to the contrary notwithstanding, Article V of these Bylaws shall not be amended without the approval of the Class C Member of the Master Association.

**Section 15.3. Amendments Material to Mortgagees.** Anything herein stated to the contrary notwithstanding, no material amendment may be made to these Bylaws without the prior written consent of fifty-one percent (51%) or more of the Mortgagees held by Eligible Mortgage Holders (based upon one vote for each Separate Interest encumbered by the Mortgage); provided, further, that so long as there remains Class B membership in the Master Association, any material amendment to these Bylaws shall require the prior approval of the VA. A draft of any amendment should be submitted to the VA for its approval prior to approval of the amendment by the membership of the Master Association. Normally "material amendment" shall mean any significant amendments to provisions of this Master Declaration governing any of the following subjects:

- (a) voting rights;
- (b) increases in the Master Association's regular assessments that raise the amount assessed during the previous fiscal year by more than 25%, assessment liens or the priority of assessment liens;
- (c) reductions in reserves for maintenance, repair and replacement of MHOA Potential Maintenance Areas;
- (d) responsibility for maintenance and repairs;
- (e) reallocation of interests in the rights to use MHOA Potential Maintenance Areas or elements of ownership;
- (f) redefinition of the boundaries of Home Sites;

- (g) convertibility of Home Sites into MHOA Potential Maintenance Areas and vice versa (other than non-material boundary adjustments);
- (h) annexation and de-annexation;
- (i) hazard or fidelity insurance requirements;
- (j) imposition of any restrictions on the leasing of Home Sites;
- (k) imposition of any restrictions on an Owner's right to sell or transfer his or her Home Site; or
- (l) any provisions that expressly benefit holders of first Mortgages.

Any Mortgagee of a first Mortgage shall be deemed to have approved an amendment to this Declaration if such Mortgagee of a first Mortgage fails to submit a written response to any written proposal for an amendment within thirty (30) days after such Mortgagee of a first Mortgage receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.

**Section 15.4. Conflicts.** In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

## **ARTICLE XVI**

### **MISCELLANEOUS**

**Section 16.1. Fiscal Year.** The fiscal year of the Master Association shall be determined by the Board.

**Section 16.2. Audited Financial Statement.** Any Eligible Mortgage Holder or Eligible Insurer or Guarantor shall be entitled to have an audited financial statement for the immediately preceding fiscal year prepared after submission of a written request for the same. Any such financial statement so requested shall be furnished within 120 days of the Master Association's fiscal year end provided the request was made within a reasonable time prior to such date.

**Section 16.3. Distribution to Members of Information About Insurance.** The Board shall comply with CIVIL CODE Section 1365(e) and distribute to the Members information about the Master Association's insurance policies. CIVIL CODE Section 1365(e) requires, among other matters, that the Master Association give its Members a summary of insurance policies within sixty (60) days preceding the beginning of the Master Association's fiscal year and notice by first class mail, as soon as reasonably practical, if any of the policies have lapsed, been canceled and are not immediately renewed, restored or replaced or if there is a significant change, such as a reduction in coverage or limits or increase in the deductible for any policies. CIVIL CODE Section 1365(e) also requires immediate notice be given if the Master Association receives any notice of nonrenewal of a policy if replacement coverage will not be in effect by the date the existing coverage will lapse. CIVIL CODE Section 1365(e) sets forth

various details as to the forms of notice, language which must be included in the notice, the size of type, etc.

**Section 16.4. Voting.** Any procedure, action or matter for which these Bylaws require the vote or written assent of Delegates or Members representing a prescribed majority of the voting power of Members of the Master Association other than Declarant or Guest Builders, shall require the vote or written assent of (i) the prescribed majority of the voting power of the Class A membership of the Master Association, and (ii) a bare majority of the voting power of the Class B membership of the Master Association. After conversion of the Class B membership in the Master Association to Class A membership, any procedure, action or matter for which these Bylaws require the vote or written assent of Delegates or Members representing a prescribed majority of the voting power of Members of the Master Association other than Declarant or Guest Builders shall require the vote or written consent of (A) a bare majority of the total voting power of the Master Association, and (B) the prescribed majority of the total voting power of the Master Association other than Declarant or Guest Builders.

**Section 16.5. Non-voting Associate Memberships.** The Master Association shall admit non-voting Associate Memberships in compliance with Article III of the Master Declaration.

## **ARTICLE XVII**

### **NOTICE TO LENDERS**

The Board shall give those notices to first Mortgagees which the Master Declaration requires to be given by the Master Association.

## **ARTICLE XVIII**

### **ANNEXATION**

The Master Association shall accept as Members the Owners of additional portions of the Home Sites which become annexed to the Master Declaration from time to time pursuant to the Master Declaration, and the Master Association shall accept conveyance of additional Master Association Property which becomes annexed from time to time pursuant to the Master Declaration. The Master Association's signature shall not be required to evidence such acceptances of MHOA Potential Maintenance Areas.

## **ARTICLE XIX**

### **REFERENCES TO STATUTES**


Several Sections of these Bylaws refer to or briefly summarize certain California statutes in order to provide information to the Members and Board about those statutes. However, (i) the references are only summary in nature and the full statutory provision should be reviewed, (ii) no attempt has been made to refer to all applicable statutes, and (iii) there is no intent to limit application of any future statutory amendments or any new statutory provisions.

I, the undersigned, do hereby certify:

1. That I am the incorporator of MORNINGSTAR ONE COMMUNITY ASSOCIATION, a California nonprofit mutual benefit corporation; and

2. That the foregoing Bylaws, comprising twenty-four (24) pages, constitute the Bylaws of said corporation duly adopted by Written Consent of Incorporator dated June 14, 2002.

IN WITNESS WHEREOF, I hereunto subscribe my name and affix the seal of said corporation this 14th day of June 2002.

  
A. JOHN HECHT, Incorporator