

**BYLAWS**  
**OF**  
**NORTHWOOD II COMMUNITY ASSOCIATION**

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**NORTHWOOD II COMMUNITY ASSOCIATION**

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**BYLAWS**  
**OF**  
**NORTHWOOD II COMMUNITY ASSOCIATION**

**ARTICLE I**

**1. Plan of Ownership.**

1.1. **Name.** The name of the corporation is NORTHWOOD II COMMUNITY ASSOCIATION, hereinafter referred to as the "Maintenance Association." The principal office of the Maintenance Association shall be located in the County of Orange, State of California.

1.2. **Application.** The provisions of these Bylaws are applicable to the master planned community Properties described in that certain Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Northwood II Community Association (the "Declaration"), located in the City of Irvine, County of Orange, State of California. All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration Recorded or to be Recorded in the Official Records of Orange County and applicable to the Properties. The mere acquisition or rental of any Lot or Condominium in the Properties or the mere act of occupancy of any Lot or Condominium signifies that these Bylaws are accepted, ratified, and will be complied with.

1.3. **Definitions.** Unless otherwise expressly provided herein, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Declaration.

**ARTICLE II**

**2. Voting by Maintenance Association Membership.**

2.1. **Voting.** The Classes of voting Memberships, the number of votes (i.e., voting power) held or represented by Members of the Association ("Members") are set forth in the Declaration, and the provisions of the Declaration governing all such matters are specifically incorporated herein by reference.

2.2. **Quorum.** The presence in person of Members representing at least twenty-five percent (25%) of the voting power of the Maintenance Association constitutes a quorum of the Membership; provided that, if any action to be taken at any meeting of Members requires only the approval of Members in a particular Cost Center, then the presence in person of the Members representing at least twenty-five percent (25%) of the voting power of the Members in such Cost Center constitutes a quorum of the Membership for purposes of said approval. The

Members 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 Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of Members required to constitute a quorum (or such greater percentage of Members as may be required by the Restrictions for any specific action).

2.3. **Approval by Members.** If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter, is the act of the Members, unless the vote of a greater number or voting by classes is required by the Restrictions or applicable law. If, however, a meeting is actually attended by Members representing less than one-third (1/3) of the voting power of the Maintenance Association, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the of the general nature of which was given pursuant to Section 3.5 hereof.

### ARTICLE III

#### 3. **Administration.**

3.1. **Maintenance Association Responsibilities.** In accordance with the Declaration, the Maintenance Association is responsible for administering, maintaining and repairing the Maintenance Property, approving the annual Budget for the Properties, establishing and collecting all assessments applicable to the Properties authorized pursuant to the Declaration, and supervising the overall architectural control of the Properties.

3.2. **Place of Meetings of Members.** Meetings of the Members shall be held on the Properties or such other suitable place in Orange County, as proximate thereto as practical and convenient to the Members, as designated by the Board.

3.3. **Annual Meetings of Members.** The first annual meeting of Members shall be held within six (6) months after the first Close of Escrow for the sale of a Lot or Condominium in the Properties. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. Each first Mortgagee may designate a representative to attend all annual meetings. The annual meetings of the Members shall be open to attendance by all Members and Mortgagee representatives to the extent of the permissible capacity of the meeting room.

3.4. **Special Meetings of Members.** The President shall call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board, or upon receipt of a petition signed by not less than five percent (5%) of the Maintenance Association's total voting power. The Secretary shall give notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such petition. The notice must state the time and place of such meeting and the general nature of the business to be transacted thereat. The special meeting must be held not less than thirty-five (35) days nor more than ninety (90) days after

adoption of such resolution or receipt of such petition. No business may be transacted at a special meeting except as stated in the notice. Each first Mortgagee may designate a representative to attend all special meetings. The special meetings of the Members are open to attendance by all Members and by Mortgagee representatives to the extent of the permissible capacity of the meeting room.

3.5. **Notice of Meetings.** The Secretary must send a notice of each annual or special meeting to each Member of record, to the Class C Member (if Directors are to be elected at such meeting), and to each first Mortgagee who has filed a written request for notice with the Secretary, by personal delivery or by first-class mail, at least ten (10) but not more than thirty (30) days prior to such meeting. The notice must specify those Voting Proposals which are to be presented for action by the Members, as well as the day, hour and place where the meeting is to be held, and may set forth time limits for speakers and procedures for the meeting. In the case of meetings at which Directors are to be elected, the notice of the meeting (i) must set forth the procedures for nominating candidates for the Board, and (ii) must specify that cumulative voting procedures must be followed for the election of Directors where more than one (1) vacancy is being filled. Nominations of candidates for the Board from the floor of the meeting of Members are not permitted. The notice of a meeting of Members shall be considered served two (2) business days after such notice has been deposited in a regular depository of the United States mail postage prepaid or (b) immediately if sent by facsimile (with electronic confirmation of transmittal) or other means of telecommunication such as through the Internet and any Website maintained by the Maintenance Association). Such notice shall be deemed served upon any Member upon posting in a conspicuous place on the Maintenance Property if no address has been furnished the Secretary.

Notwithstanding any other provision of these Bylaws, approval by the Members of any of the following Voting Proposals, other than by unanimous approval of Members, is not valid unless the general nature of the Voting Proposal was stated in the notice to the Members: (a) removing a Director without cause; (b) filling vacancies on the Board; (c) approving a contract or transaction between the Maintenance Association and one or more Directors, or between the Maintenance Association and any entity in which a Director has a material financial interest; (d) amending the Articles; or (e) electing to wind up and dissolve the Maintenance Association.

3.6. **Adjourned Meetings.** If any meeting of Members cannot be organized because a quorum is not present, Members representing a majority of the voting power who are present may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. Such an adjourned meeting may be held without the notice required by Section 3.5 if notice thereof is given by announcement at the meeting at which such adjournment is taken.

3.7. **Order of Business.** Meetings of Members must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Maintenance Association may adopt. The order of business at all Member

meetings is as follows: (a) appointment of inspector of election; (b) roll call to determine the voting power represented at the meeting; (c) proof of notice of meeting or waiver of notice; (d) reading of minutes of preceding meeting; (e) reports of officers; (f) reports of committees; (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

3.8. **Action By Written Ballot.** Any action which may be taken at a meeting of the Members (except for election of Directors) may be taken without a meeting by written ballot of the Members. Ballots must be solicited in the same manner as provided in Section 3.5 for the giving of notice of meetings of Members. Such solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received in order to be counted. A matter shall be approved by written ballot upon receipt within the time period specified in the solicitation of both (A) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (B) a number of approvals which exceeds or equals the number of votes which would be required for approval if the action were taken at a meeting.

3.9. **Minutes, Presumption of Notice.** Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, are presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given is prima facie evidence that such notice was given.

3.10. **Inspector of Elections.** Prior to any Members meeting, the Board may appoint inspectors of election for that meeting. There shall be at least three (3) inspectors of election. The decision, act or certification of a majority shall be effective as the decision, act or certification of all. Any report or certificate of the inspectors of election is prima facie evidence of the matters stated therein. Inspectors of election do not have to be Owners. If the Board does not appoint inspectors of election or if an inspector fails to appear at a meeting, the chairman of the Member's meeting may appoint the inspector of election. If the chairman fails to appoint the inspectors of election, then any Member may request that inspectors of election be appointed. If a Member makes such a request, then the inspectors of election shall be elected by Members representing a majority of the Members present. In case of an action to be taken by the Members by written ballot, the Board may also appoint inspectors of election to count the ballots.

The inspector of election shall determine the number of Memberships outstanding, the voting power of each, the number of Members represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the results and do such acts as may be proper to conduct the election or vote with fairness to all Members. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

## ARTICLE IV

### 4. Board of Directors.

4.1. **Number and Qualification.** The property, business and affairs of the Maintenance Association shall be governed by a Board of Directors which initially consists of three (3) persons. The authorized number of Directors may be increased to five (5) or seven (7) when the Board adopts a resolution approving an increase in the authorized number of Directors. An increase in the authorized number of Directors provided for in the immediately preceding sentence is effective as of the annual meeting of Members immediately following the date on which the resolution is adopted by the Board. Any other change in the authorized number of Directors requires an adopted amendment to the Bylaws. All Directors, except for those appointed and serving as first Directors, must either be (i) an Owner of a Lot or Condominium in the Properties, or (ii) an agent of Declarant or an agent of a Merchant Builder for so long as Declarant or a Merchant Builder owns a Lot or Condominium in the Properties or any portion of the Annexable Area. Directors may not receive any salary or compensation for their services as Directors, unless such compensation is first approved by the vote of Members representing at least a majority of the Maintenance Association voting power; provided that (a) nothing in these Bylaws precludes any Director from serving the Maintenance Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for actual expenses incurred in performance of Maintenance Association duties.

4.2. **Powers and Duties.** Subject to the limitations in the Declaration and these Bylaws, the Board has the powers and duties necessary to administer the Maintenance Association's affairs and may do all acts and things not by law, the Declaration or these Bylaws prohibited to the Maintenance Association or directed to be exercised and done exclusively by the Members. Subject to the provisions of Section 4.4, the Board may not enter into any contract with a third person wherein the third person will furnish goods or services for the Maintenance Property or to the Maintenance Association for a term in excess of one (1) year, without the vote of Members representing a majority of the Maintenance Association voting power, except for (a) a contract with a public utility company for a term that does not exceed the shortest term for which the public utility company will contract at the regulated rate, if the rates charged for the materials or services are regulated by the California Public Utilities Commission; (b) a management contract the terms of which conform to Section 4.4 hereof; (c) prepaid casualty or liability insurance policies of not more than three (3) years' duration, provided that the policies permit short-term cancellation by the Maintenance Association; (d) a contract approved by the DRE for a term approved by the DRE; (e) a contract for a term not to exceed three (3) years that is terminable by the Association after no longer than one year without cause or penalty or other obligation upon ninety (90) days written notice of termination to the other party; or (f) a management contract with a term not to exceed three (3) years.

4.3. **Special Powers and Duties.** Without prejudice to the general powers and duties and such powers and duties as are set forth in the Declaration, the Board has the following powers and duties:



4.3.1. **Officers and Agents.** The power and duty to select, appoint, and remove all Maintenance Association officers, agents, and employees; to prescribe such powers and duties for them as may be consistent with law and the Restrictions; and to fix their compensation (where compensation is permitted) and require from them security for faithful service when deemed advisable by the Board.

4.3.2. **Business Affairs.** The power and duty to conduct, manage and control the Maintenance Association affairs and business, and to make and enforce such Rules and Regulations therefor consistent with law and the Restrictions as the Board deems necessary or advisable.

4.3.3. **Principal Office/Corporate Seal.** The power but not the duty to change the principal office for the transaction of the Maintenance Association's business from one location to another within Orange County; to designate any place within such County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Section 3.2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, deems best, provided that such seal shall at all times comply with the provisions of law.

4.3.4. **Borrowings.** With the approval of Members representing at least sixty-seven percent (67%) of the Maintenance Association voting power, the power but not the duty to borrow money and incur indebtedness for the Maintenance Association's purposes, and to cause to be executed and delivered therefor, in the Maintenance Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities therefor.

4.3.5. **Assessments.** The power and duty to fix and levy Common Assessments, Special Assessments, and Reconstruction Assessments as provided in the Declaration; to fix and levy in any fiscal year Capital Improvement Assessments applicable to that year only for capital improvements to the Maintenance Property; to determine and fix the due date for the payment of such assessments; provided, however, that such assessments shall be fixed and levied only to provide for the payment of Common Expenses and for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Maintenance Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. Subject to any limitations imposed by the Declaration and these Bylaws, the Board shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide or cause to be provided Reserves for repairs and replacements of the Maintenance Property. The funds collected by the Board from the Owners for replacement Reserves and for capital Improvements are at all times held in trust for the Members. Disbursements from such trust Reserve Funds may only be made in accordance with the provisions of the Declaration. The Board shall fix all Common Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments in accordance with the provisions of the Declaration. If a Member fails to pay such

assessments before delinquency, the Board may enforce the payment of such delinquent assessments as provided in the Declaration.

4.3.6. **Enforcement.** The power and duty to enforce the provisions of the Restrictions and any Maintenance Association agreements.

4.3.7. **Insurance.** The power and duty to contract and pay for insurance insuring the Members, the Maintenance Association, any Manager, the Board, the members of the Architectural Committee, and other interested parties, in accordance with the provisions of the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Maintenance Property). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Maintenance Association's behalf.

4.3.8. **Services.** The power and duty to contract and pay for maintenance, legal, accounting, gardening, common utilities, materials and supplies, and services relating to the Maintenance Property and, subject to limitations contained in the Declaration, to employ personnel necessary to operate the Properties, including legal and accounting services, and to contract for and pay for Improvements on the Maintenance Property.

4.3.9. **Utility Easements.** The power but not the duty to grant or quitclaim easements, licenses or rights-of-way in, on, or over the Maintenance Property for purposes consistent with the intended use of the Properties as a master planned community.

4.3.10. **Rules and Regulations.** The power and duty to adopt such Rules and Regulations as the Board deems necessary for managing the Properties, which Rules and Regulations are effective and binding after (i) they are adopted by a majority of the entire Board, and (ii) they are either (A) posted in a conspicuous place in the Maintenance Property, or (B) sent to the Members by first class U.S. mail. Such Rules and Regulations may concern, without limitation, use of the Maintenance Property, signs, parking restrictions, minimum standards of property maintenance consistent with the Restrictions, and any other matter within the Maintenance Association's jurisdiction as specified in the Restrictions; provided that such Rules and Regulations are enforceable only to the extent that they are consistent with the Restrictions.

4.3.11. **Corporate Records.** The power and duty to keep, or cause to be kept, a complete record of all Maintenance Association acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by Members representing in the aggregate not less than ten percent (10%) of the Members who are entitled to vote.

4.3.12. **Sale of Maintenance Property.** Subject to the Declaration, the power but not the duty to sell Maintenance Association property, provided, however, that the prior vote of Members representing at least a majority of the Maintenance Association's voting power must be obtained to sell during any fiscal year property of the Maintenance Association

having an aggregate fair market value greater than five percent (5%) of the Maintenance Association's Budgeted gross expenses for that fiscal year.

**4.3.13. Governing Documents.** The power and duty to make available to any prospective purchaser of a Lot or Condominium, any Owner of a Lot or Condominium, any first Mortgagee, and each holder, insurer and guarantor of a first Mortgage on any Lot or Condominium, current copies of the Restrictions and all other books, records and financial statements of the Maintenance Association. The Maintenance Association may charge a fee for providing such documents, but in no event shall the fee exceed the reasonable cost to reproduce the requested documents.

**4.3.14. Subsidy Agreements.** The power but not the duty to negotiate and enter into subsidy agreements or other arrangements with Declarant and Merchant Builders pursuant to which Declarant or such Merchant Builders may subsidize a portion of the Common Expenses in exchange for the Maintenance Association's assumption of the obligation to repair and maintain additional real property and Improvements which it would not be able to so maintain at current Budget levels absent such a subsidy. Any such subsidy agreements or other arrangements must be approved by the DRE.

**4.3.15. Delegation of Powers.** The power but not the duty to Member its powers according to law and to adopt these Bylaws.

**4.4. Management Agent.** The Board shall employ for the Maintenance Association a Manager at a compensation established by the Board to perform such duties and services as the Board authorizes, including, without limitation, the duties listed in Sections 4.2 and 4.3.

**4.5. Books, Audit.** The Board shall distribute the following financial information to all Members (and to any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Maintenance Association:

**4.5.1. Budget.** A pro forma operating Budget for each fiscal year consisting of at least the following information must be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the Fiscal Year:

(i) **Revenue and Expenses.** The estimated revenue and Common Expenses computed on an accrual basis, and allocated among the various Maintenance Funds specified in the Declaration.

(ii) **Reserves.** A summary of the Maintenance Association's Reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of

the California Civil Code or any other applicable statute, as amended, which must be printed in bold type and include all of the following:

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

(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 for which the Maintenance Association is responsible ("Estimated Reserves").

(2) The current amount of accumulated cash Reserves actually set aside to repair, replace, restore or maintain the major components for which the Maintenance Association is responsible ("Actual Reserves").

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

(iii) **Anticipated Assessment Statement.** A statement as to whether the Board has determined or anticipated that the levy of one (1) or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component for which the Maintenance Association is responsible or to provide adequate Reserves therefor.

(iv) **Reserve Fund Calculations.** A general statement setting forth the procedures used by the Board in the calculation and establishment of the Reserve Funds to defray the costs of repair and replacement of, or additions to, major components of the Maintenance Property and facilities for which the Maintenance Association is responsible.

The Board also may distribute a summary of the Budget in lieu of the Budget itself, so long as the Board complies with the provisions of Section 1365(c) of the California Civil Code, as amended. The Board must cause a study of the "Reserve account requirements" of the Properties, to be conducted in accordance with Section 1365.5 of the California Civil Code.

4.5.2. **Balance Sheet.** A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date on which Common Assessments first commenced, and an operating statement for the period from the date on which Common Assessments commenced to such accounting date, must be distributed within sixty (60) days after the accounting date. Such operating statement must include a schedule of assessments

received and receivable identified by the number of the Lot or Condominium and the name of the Owner assessed.

4.5.3. **Annual Report.** A report consisting of the following (“Annual Report”) must be distributed within one hundred twenty (120) days after the close of the fiscal year: (a) a balance sheet as of the end of the fiscal year; (b) an operating (income) statement for the fiscal year; (c) a statement of changes in financial position for the fiscal year; (d) any information required to be reported under Section 1365.9(c) of the California Civil Code and Section 8322 of the California Corporations Code; (e) for any fiscal year in which Maintenance Association gross income exceeds Seventy-Five Thousand Dollars (\$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; and (f) a statement of the place where the names and addresses of the Members are located.

If the Annual Report is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Maintenance Association officer certifying that the statement was prepared from the books and records of the Maintenance Association without independent audit or review.

4.5.4. **Enforcement Policies.** In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Maintenance Association’s policies and practices in enforcing its remedies against Members for defaults in the payment of Common, Capital Improvement, Reconstruction and Special Assessments, including the Recording and foreclosing of liens against Members’ Lots and Condominiums.

4.5.5. **Quarterly Reviews.** The Board shall do the following on at least a quarterly basis: (a) cause to be completed and review a current reconciliation of the Maintenance Association’s operating and Reserve accounts, (b) review the Actual Reserves and expenses compared to the Budget for the then current Fiscal Year, (c) review the income and expense statement for the Maintenance Association’s operating and Reserve accounts, and (d) review the most current account statements prepared by the financial institutions where the Maintenance Association maintains its operating accounts and Reserve.

#### 4.6. **Election and Term of Office.**

4.6.1. **Election of Directors.** At the first meeting of the Members, and thereafter at each annual meeting of the Members coinciding with the expiration of a Director’s term of office or at which a vacancy on the Board exists, the Members and the Class C Members shall elect new Directors as provided in the Restrictions, and all vacant positions on the Board shall be filled at that election. If an annual meeting is not held or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence.

#### 4.6.2. **Term of Office.**

(i) **Concurrent/Staggered Terms.** For so long as there are only three (3) authorized Directors, the terms of office of all Directors shall be concurrent. If the authorized number of Directors is expanded pursuant to Section 4.1, the terms of the Directors shall become staggered on a three-two (3-2) or on a three-four (3-4) basis, as applicable.

(ii) **Term Period.** Except as otherwise provided in this subsection in connection with the filling of vacancies resulting from the expansion of the number of authorized Directors pursuant to Section 4.1, the term of office of each Director elected or appointed to fill a vacancy created by the expiration of the term of office of the respective past Director shall be for two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be reelected or reappointed, and there is no limit on the number of terms during which he or she may serve. If the authorized number of Directors is expanded pursuant to Section 4.1, the initial terms of office of the Directors elected to fill the new positions so created shall exceed by one (1) year the then unexpired terms of the three Directors whose terms expire simultaneously, unless vacancies resulting from expiration of the terms of such three (3) Directors are being concurrently filled, in which case the entire Board shall be elected as follows:

(a) The terms of office of the majority of Directors appointed by the Class C Member (or if there is no Class C Member, the majority of Directors receiving the highest number of votes) shall be three (3) years, and

(b) The terms of office of the balance of the Directors receiving the next highest number of votes shall be two (2) years.

(iii) **Cumulative Voting.** With the exception of vacancies filled by the Class C Member, cumulative voting must be used in the election of Directors where more than one (1) vacancy is being filled. In the case of cumulative voting for Directors, each Member shall cast a total number of votes allocated to the Member as set forth in the Declaration, multiplied by the number of Directors to be elected by vote of Members representing the Class A and Class B Members.

4.6.3. **Election by Non-Declarant Owners.** Notwithstanding the foregoing, whenever (a) notice is given for an election of Directors, and (b) upon such date Declarant and Merchant Builders are entitled to exercise a majority of the voting power of the Maintenance Association, and (c) upon such date the Members other than Declarant and any Merchant Builders do not have a sufficient percentage of the Maintenance Association voting power to elect a number of Directors representing at least twenty percent (20%) (though not less than one (1)) of the entire Board through the foregoing cumulative voting procedure, then such notice must also provide for the following special election procedure.

(i) **Minimum Number.** Election of Directors will be first apportioned to Members other than Declarant and any Merchant Builders until the aggregate number of Directors on the Board elected by Members casting votes attributable to Members other than Declarant and any Merchant Builders represents at least twenty percent (20%) (though not less than one (1)) of the entire Board (i.e., the Members must ensure that at least one (1) Director is an Owner not connected directly or indirectly with Declarant or any Merchant Builder ("Nonaffiliated Owner") for so long as a majority of the voting power of the Maintenance Association is attributable to Lots or Condominiums owned by Declarant and Merchant Builders).

(ii) **Procedure.** Any Nonaffiliated Owner otherwise eligible to serve on the Board is an eligible candidate for the special election upon receipt by the Secretary of a declaration of candidacy, signed by the candidate, at any time prior to the election. The Nonaffiliated Owner(s) receiving the greatest number of votes cast by the Members other than Declarant or any Merchant Builders shall be elected to the Board. The remaining members of the Board will be elected through the customary voting procedure outlined above.

4.7. **Vacancies.** A vacancy in the office of Director is deemed to exist in case of a Director's death, resignation, removal, judicial adjudication of mental incompetence or failure to satisfy all of the qualifications of a Director as specified in the Restrictions, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Until filled by the Members or the Class C Member, as applicable, vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Members may be filled by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum; provided that until termination of the Class C Membership, a vacancy in the office of a Director who was appointed by the Class C Member shall be filled only by an appointee of the Class C Member. Subject to applicable eligibility requirements, each person elected to fill a vacancy pursuant to this Subsection shall be a Director until a successor is elected at the next annual meeting of the Members, or at a special meeting of the Members called for that purpose.

4.8. **Removal of Directors.** At any regular or special meeting of the Members duly called, any individual Directors or the entire Board may be removed prior to the expiration of their terms of office with or without cause as follows: (a) for so long as fewer than fifty (50) Lots and Condominiums are included within the Properties, by the vote of Members representing a majority of the total Maintenance Association voting power (including votes attributable to Declarant and Merchant Builders), and (b) once fifty (50) or more Lots and Condominiums are included within the Properties, by the vote of Members representing a majority of a quorum of the Members. However, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been

proposed must be given an opportunity to present or cause to be presented a position statement at the Membership meeting at which the Voting Proposal for removal of such Director is considered. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting if the election of Directors to fill such vacancies was included as a part of the same Voting Proposal for the removal of such Directors. Notwithstanding any other provision of this Section, (a) any Director who has been elected to office solely by the votes of Members representing Members other than Declarant and Merchant Builders pursuant to Section 4.6.3 may be removed from office prior to the expiration of the term of office only by the vote of Members representing a simple majority of the voting power residing in Members other than Declarant and any Merchant Builders and, in the event of such removal, such Director's successor shall be elected in the same manner as such Director, pursuant to the provisions of Section 4.6.3; and (b) until termination of the Class C Membership, any Director who has been appointed by the Class C Member may be removed from office and the vacancy filled only by the Class C Member.

4.9. **Organization Meeting.** The first regular meeting of a newly constituted Board shall be held at such time and place determined by that Board, for the purpose of organization, election of officers and the transaction of other business. Notice of the first meeting shall be given in the same manner as notice of other regular meetings.

4.10. **Regular Meetings.** Regular meetings of the Board must be open to the Members, to the extent of the permissible capacity of the meeting room, and may be held at such time and place within the Properties (or as proximate thereto as possible) as determined by a resolution adopted by a majority of a quorum of the Directors; provided that such meetings shall be held no less frequently than quarterly. Members in attendance who are not Directors may not participate in any deliberation or discussion, unless expressly authorized by the vote of a majority of a quorum of the Directors. Notice of the time and place of regular Board meetings must be given to each Director, in the manner provided in Section 4.11 below, at least four (4) calendar days prior to the date named for such meeting, and shall be posted at a prominent place or places within the Maintenance Property. If served by mail, each such notice (including notices of special meetings) shall be sent, postage prepaid, to the address reflected on the records of the Maintenance Association, and shall be deemed given, if not actually received earlier, at 5:00 o'clock P.M. on the second calendar day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director is absent from any regular or special meeting of the Board, an entry in the minutes to the effect that notice was given is conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

4.11. **Special Meetings of Board.** Special meetings of the Board must be open to all Members, to the extent of the permissible capacity of the meeting room; provided that Members who are not Directors may not participate in any deliberations or discussions at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board. Special meetings may be called by the President or by any two (2) Directors. At least four (4) calendar days notice shall be given to each Director, personally or by telephone,



including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. The notice must state the time, place and purpose of the meeting, and shall be posted at a prominent place or places within the Maintenance Property.

4.12. **Waiver of Notice.** Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting and such waiver is equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board is a waiver of notice to him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Members of such meeting was posted as provided in Section 4.10, and (c) either before or after the meeting, each of the absent Directors signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. The Secretary shall file all such waivers, consents and approvals with the Maintenance Association records or made them a part of the minutes of the meeting.

4.13. **Action Without Meeting; Telephone Meetings.** The Board may act without a meeting, if all Directors individually or collectively consent in writing to such action. Such written consent or consents must be filed with the minutes of the proceedings of the Board. Such action by written consent has the same effect as a unanimous vote of such Directors. Any meeting, regular or special, may be held by conference telephone or any other communication equipment, so long as it is consistent with the California Corporations Code. Within three (3) days after any action taken by written consent or telephone meeting, an explanation of such action must be either (i) posted by the Board in a prominent place or places on the Maintenance Property, or (ii) communicated to the Members by another means the Board determines to be appropriate.

4.14. **Quorum and Adjournment.** Except as otherwise expressly provided herein, at all meetings of the Board a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present. The Board may, with the approval of a majority of the Directors at a meeting at which a quorum has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Maintenance Association is or may become involved, matters relating to the formation of contracts with third parties, and orders of business of a similar nature. The nature of any and all business to be considered in executive session must first be announced in open session and must be generally noted in the minutes of the Board. In any matter relating to the discipline of a Member, the Board must meet in executive session if requested by that Member, and the Member may attend the executive session.

4.15. **Fidelity Bonds.** The Board shall require that all officers and employees and the Manager of the Maintenance Association handling or responsible for Maintenance Association funds furnish adequate fidelity bonds as further provided in the Declaration. The premiums on such bonds shall be paid by the Maintenance Association.

4.16. **Committees.** The Board may, by resolution, designate such advisory and other committees as it desires, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee must provide for the appointment of a chairperson and its members, must state the purposes of the committee and must provide for reports, termination and other administrative matters the Board deems appropriate.

## ARTICLE V

### 5. **Officers.**

5.1. **Designation.** The Maintenance Association's principal officers are a President, a Vice President, a Secretary and a Treasurer, all elected by the Board. The Board may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as it determines to be necessary. Officers other than the President need not be Directors. One Person may hold more than one office.

5.2. **Election of Officers.** The Board shall annually elect the Maintenance Association's officers at the new Board's organization meeting. Each officer shall hold his office at the pleasure of the Board, until he resigns or is removed or otherwise disqualified to serve or his successor is elected and qualified to serve.

5.3. **Removal of Officers.** Upon an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of such notice or at any later time specified therein. Unless otherwise specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

5.4. **Compensation.** Officers, agents, and employees shall receive such reasonable compensation for their services as authorized or ratified by the Board; provided that: (a) no officer may receive any compensation for services performed in the conduct of the Maintenance Association's business unless such compensation is first approved by the vote of Members representing at least a majority of the Maintenance Association voting power; and (b) nothing in these Bylaws precludes any officer from serving the Maintenance Association in some other capacity and receiving compensation therefor; and (c) any officer may be reimbursed for actual expenses incurred in the performance of Maintenance Association duties. Appointment of

any officer, agent, or employee does not of itself create contractual or other rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or a Merchant Builder or any affiliate of Declarant or a Merchant Builder may receive any compensation.

5.5. **President.** The President is the chief executive officer of the Maintenance Association and shall (a) preside at all Member and Board meetings, (b) shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, and (c) subject to the control of the Board, have general supervision, direction and control of the Maintenance Association's business and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

5.6. **Vice President.** The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled or unable to act. If the President and the Vice President are unable to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as imposed by the Board or these Bylaws.

5.7. **Secretary.** The Secretary shall (a) keep the minutes of all meetings of the Board and the minutes of all meetings of the Maintenance Association at the Maintenance Association's principal office or at such other place as the Board may order, (b) keep the Maintenance Association's seal in safe custody, (c) keep such books and papers as the Board may direct, (d) perform all of the duties incident to the office of Secretary, (e) give, or cause to be given, notices of meetings of the Members, the Members and the Board required by the Restrictions or by law to be given, and (f) perform such other duties as may be prescribed by the Board or these Bylaws.

5.8. **Treasurer.** The Treasurer is the Maintenance Association's chief financial officer and is responsible for Maintenance Association funds and securities. The Treasurer shall (a) keep, or cause to be kept, full and accurate accounts, tax records and business transactions of the Maintenance Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Maintenance Association (b) be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Maintenance Association in such depositories as the Board designates, (c) disburse the Maintenance Association's funds as ordered by the Board, in accordance with the Declaration, (d) render to the President and Directors, upon request, an account of all transactions as Treasurer and of the Maintenance Association's financial condition, and (e) have such other powers and perform such other duties prescribed by the Board and these Bylaws.

## ARTICLE VI

### 6. **Obligations of Members.**

6.1. **Assessments.** All Members must pay, in accordance with the Declaration, all assessments imposed by the Maintenance Association, to meet all Common Expenses. All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

6.2. **Maintenance and Repair.**

6.2.1. **Members' Obligations.** Every Member must perform promptly, at his or her sole cost, all maintenance and repair work on the Member's Lot or Condominium, as required by the Declaration and any applicable Project Declaration. As further provided in the Declaration, and subject to the exemption of Declarant and the Merchant Builders, all plans for Construction Activities on the Properties must receive the prior written consent of the Architectural Committee. The Architectural Committee shall adhere to the Architectural Committee Rules when granting such approvals, in accordance with the Declaration.

6.2.2. **Damages by Members.** As further provided in the Declaration, each Member shall reimburse the Maintenance Association for any expenditures incurred in repairing or replacing any portion of the Maintenance Property or other properties owned or controlled by the Maintenance Association, which are damaged through such Member's willful misconduct or negligence. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of the Restrictions.

**ARTICLE VII**

7. **Amendments to Bylaws.**

7.1. **Vote of Members.** These Bylaws may be amended by the vote of Members representing at least fifty-one percent (51%) of the Maintenance Association voting power; provided that the specified percentage of the Members necessary to amend a specific Section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. Notwithstanding the foregoing, these Bylaws may be amended by a majority of the entire Board, at any time prior to the first Close of Escrow for the sale of a Lot or Condominium to a purchaser from Declarant or a Merchant Builder pursuant to a transaction requiring issuance of a Final Subdivision Public Report by the DRE.

7.2. **Additional Consents.** Article II, Sections 3.1, 4.1, 4.2, 4.3, 4.4, 4.6, 4.7, 4.8 and Article VII of these Bylaws may not be amended without the written consent of Declarant until the later to occur of the date on which neither Declarant nor Merchant Builders own a Lot or Condominium in the Properties. Before any material amendment to these Bylaws affecting matters delineated in Sections 9.2, 9.3, 12.2.3 or 12.3 of the Declaration is effective, such amendment must be approved by the same percentage of Beneficiaries of first Mortgages as specified in the Declaration section which would be affected by such amendment, and this sentence may not be amended without such prior written approval. Notwithstanding the foregoing, if a first Mortgagee who receives a written request from the Board to approve a

proposed amendment or amendments to the Bylaws does not deliver a negative response to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved the proposed amendment or amendments.

## ARTICLE VIII

### 8. **Mortgagees.**

8.1. **Notice to Maintenance Association.** Upon request, every Member who Mortgages a Lot or Condominium shall notify the Maintenance Association through the Manager, or through the Secretary if there is no Manager, of the name and address of the Member's Mortgagee. Upon request, Members shall notify the Maintenance Association of the release or discharge of any such Mortgage.

8.2. **Notice of Unpaid Assessments.** The Maintenance Association shall, at the request of a Mortgagee, report any unpaid assessments due from the Owner of such Lot or Condominium in accordance with the provisions of the Declaration.

## ARTICLE IX

9. **Conflicting Provisions.** If any of these Bylaws conflict with any laws of the State of California, such conflicting Bylaws shall be void upon final court determination to such effect, but all other Bylaws shall remain in full force. In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

## ARTICLE X

10. **Indemnification of Directors and Officers.** The Board may authorize the Maintenance Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, any present or former Maintenance Association Director, officer, committee member, employee or agent as provided in the Declaration.

## ARTICLE XI

### 11. **Miscellaneous.**

11.1. **Checks, Drafts and Documents.** All checks, drafts or other orders for payments of money, notes or other evidences of indebtedness, issued in the name of or payable to the Maintenance Association, must be signed or endorsed by the President and Treasurer of the Maintenance Association, or by such person or persons and in such manner as the Board designates by resolution, subject to the provisions of Section 6.3 of the Declaration.

11.2. **Execution of Documents.** The Board may authorize any officer or agent to enter into any contract or execute any instrument in the name and on behalf of the Maintenance Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Maintenance Association by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

11.3. **Maintenance Association Documents.** In addition to the rights afforded by the Declaration to Beneficiaries, insurers and guarantors of first Mortgages with regard to inspection of the Maintenance Association's management documents, the Maintenance Association shall maintain at its principal office (or at such other place within the Properties as the Board may prescribe) the Restrictions and the Maintenance Association's books of account; minutes of meetings of Members, the Board and Board committees; and the Membership Register (collectively, the "Maintenance Association Documents"), each of which shall be made available for inspection and copying by any Member or the Member's duly appointed representative for a purpose reasonably related to the Member's interest as a Member.

11.3.1. **Access Rules.** The Board shall establish reasonable rules regarding (a) notice to be given to the custodian of the Maintenance Association Documents by the Person desiring to make the inspection, (b) hours and days of the week when such an inspection may be made, and (c) payment of the cost of copying any of the requested Maintenance Association Documents; provided that every Director shall have the absolute right at any reasonable time to inspect all Maintenance Association Documents and the physical properties owned or controlled by the Maintenance Association, which right shall include the right to make extracts and copies of documents.

11.3.2. **Minutes.** The minutes, minutes that are proposed for adoption and are marked to indicate draft status, or a summary of the minutes of any meeting of the Board (other than an executive session) must be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes or summary minutes must be distributed to any Member upon request and upon reimbursement of the Maintenance Association's costs in making that distribution. Members must be notified in writing, at the time that the Budget required in Section 4.5.1 hereof is distributed or at the time of any general mailing to the entire Maintenance Association membership, of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

11.3.3. **Copies/Statements.** Notwithstanding any contrary Board rules, no later than ten (10) days after the Maintenance Association receives written request from any Member, the Maintenance Association must provide to that Member a copy of each of the documents listed in California Civil Code Section 1568(a) requested by the Member. The Maintenance Association may charge a fee for this service not exceeding the Maintenance Association's reasonable cost to prepare and reproduce the requested documents.

11.4. **Fiscal Year.** The Board shall determine the Maintenance Association's fiscal year. The fiscal year is subject to change as the Board determines.

## ARTICLE XII

### 12. **Notice and Hearing Procedure.**

12.1. **Suspension of Privileges.** If an alleged violation of the Restrictions occurs, and after written notice of such alleged violation is delivered personally or mailed to the responsible Owner, Project Association, or any agent of the responsible Owner or Project Association alleged to be in default ("respondent") in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board may, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of the Board or a majority of the Members of any committee of the Board constituted to conduct such hearings ("Hearing Committee"), take any one (1) or more of the following actions:

- (a) Levy a Special Assessment as provided in the Declaration;
- (b) Suspend or condition the right of the respondent and persons claiming through the respondent to use any recreational facilities the Maintenance Association owns, operates or maintains;
- (c) Suspend the respondent's voting privileges as a Member, as provided in the Declaration;
- (d) If permitted by law, Record a notice of noncompliance encumbering the Respondent's Lot, Condominium or Common Area; or
- (e) Enter upon the Respondent's Lot, Condominium or Common Area to correct the violation of the Restrictions, as further provided in the Declaration.

Any such suspension may not be for a period of more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. Suspension of Membership privileges does not relieve the respondent's obligation to pay all assessments levied by the Maintenance Association or to otherwise comply with the Restrictions. The Board's failure to enforce the Restrictions does not waive the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws are cumulative and not exclusive. However, any individual Member or Project Association must exhaust all available internal Maintenance Association remedies prescribed by the Restrictions, before that Member or Project Association may resort to a court of law for relief with respect to any alleged violation of the Restrictions by another Member or Project Association. The foregoing limitation pertaining to exhausting internal remedies does not apply to the Board or to

any Member or Project Association where the complaint alleges nonpayment of Maintenance Association assessments.

12.2. **Written Complaint.** A hearing to determine whether a right or privilege of the respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, may be initiated by any Member, any Project Association or by any officer or member of the Board by filing a "Complaint" (as hereafter defined) with the President or other presiding member of the Board. A "Complaint" is a written statement of charges which describes in ordinary and concise language the acts or omissions with which the respondent is charged and a reference to the specific provisions of the Restrictions which the respondent is alleged to have violated. A copy of the Complaint must be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a completed statement substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering (as evidenced by a dated receipt signed by the Maintenance Association's agent) or mailing (by certified mail, return receipt requested) the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address: \_\_\_\_\_ . ***You may, but need not, be represented by counsel at any or all stages of these proceedings.*** If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact \_\_\_\_\_."

The respondent is entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

12.3. **Notice of Hearing.** The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if a hearing is requested by the respondent. The Board or Hearing Committee shall conduct the hearing no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.2 above. The notice to the respondent must be in substantially the following form but may include other information:

"You are hereby notified that a hearing will be held before the Board of Directors of Northwood II Community Association ("Maintenance Association"), or a Hearing Committee appointed by the Board of Directors for the purpose of conducting such hearings. The hearing will be held at \_\_\_\_\_ on \_\_\_\_\_, \_\_\_\_\_, at \_\_\_\_\_ m., upon the charges made in the Complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant



evidence, and you will be given full opportunity to examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the inspection, and production of books, documents or other items by applying to the Board of Directors at least two (2) business days prior to the hearing date.”

12.4. **Hearing.** The Board or the Hearing Committee shall conduct the hearing, in executive session pursuant to the notice described in Section 12.3 above. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard must be placed in the minutes of the meeting. Such proof is adequate if a copy of the notice together with a statement of the date and manner of delivery and the identity of the Person giving the notice is entered in the minutes. The notice requirement is satisfied if the respondent appears at the meeting. The minutes of the meeting must contain a written statement of the results of the hearing and the sanction, if any, imposed. No action against the respondent arising from the alleged violation may take effect sooner than five (5) days after the hearing.