

BYLAWS

OF

MCKINLEY VILLAGE COMMUNITY ASSOCIATION

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FOR
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BYLAWS
OF
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ARTICLE I
PLAN OF OWNERSHIP

1.1. **Name.** The name of the corporation is MCKINLEY VILLAGE COMMUNITY ASSOCIATION, hereinafter referred to as the “*Master Association.*” The principal office of the Master Association shall be located in the County of Sacramento, State of California.

1.2. **Application.** The provisions of these Bylaws are applicable to the master planned community described in that certain Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for McKinley Village (“*Master Declaration*”), located in the City of Sacramento, County of Sacramento, 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 Community in any manner, are subject to the regulations set forth in these Bylaws and in the Master Declaration Recorded or to be Recorded in the Official Records of Sacramento County and applicable to the Community. The mere acquisition or rental of any Lot or Condominium in the Community 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 Master Declaration.

ARTICLE II
VOTING BY MASTER ASSOCIATION MEMBERSHIP

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

2.2. **Quorum.** Except as otherwise provided in these Bylaws or the Master Declaration, the presence in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act of Members representing at least twenty-five percent (25%) of the voting power of the Master 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 or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act of 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. 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 Master Association Documents for any specific action).

2.3. **No Proxies.** As authorized by California Corporations Code Section 7613(a), proxies may not be used in connection with voting on any matter with respect to which Members are entitled to vote.

2.4. **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 Master Association Documents or applicable law. If a meeting is actually attended, in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act, by Members representing less than one-third (1/3) of the voting power of the Master Association, notwithstanding the presence of a quorum, no matter may be voted upon except matters which were generally described in the notice of the meeting. No action by the Members on any matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Master Association Documents to approve the action.

ARTICLE III ADMINISTRATION

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

3.2. **Place of Meetings of Members.** Meetings of the Members shall be held within the Community or such other suitable place in Sacramento 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 forty-five (45) days after the Close of Escrow for the sale of fifty-one percent (51%) of the Lots in the First Subdivision, but in no event later than six (6) months after the first Close of Escrow for the sale of a Lot or Condominium in the Community. 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 Board shall call a special meeting of the Members (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Master Association, or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of the Master 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 date, 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 shall 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 ninety (90) 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 date, 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 (a) 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 Master Association). Such notice shall be deemed served upon any Member upon posting in a conspicuous place on the Master Association 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 Master Association and one or more Directors, or between the Master 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 Master Association.

3.6. Record Dates. The Board may fix a date in the future as a record date for determining which Members are entitled to notice for any meeting of Members. The record date so fixed must be not less than ten (10) nor more than ninety (90) days before the date of the meeting. If the Board does not fix a record date for notice to Members, the record date for notice is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for determining the Members entitled to vote at any meeting of the Members. The record date so fixed must be not less than ten (10) nor more than ninety (90) days before the date of the meeting. If the Board does not fix a record date for determining Members entitled to vote, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting.

3.7. Adjourned Meetings. If a quorum is not present at the time and place established for a meeting, a majority of the Members who are present, either in person or by

written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the original meeting date, at which meeting the quorum requirement is the presence in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act of Members holding at least twenty-five percent (25%) of the Master Association's voting power. Such an adjourned meeting may be held without the notice required by these Bylaws if notice thereof is given by announcement at the meeting at which such adjournment is taken.

3.8. Order of Business. Meetings of Members must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Master Association may adopt. The order of business at all Member meetings is as follows: (i) roll call to determine the voting power represented at the meeting; (ii) proof of notice of meeting or waiver of notice; (iii) reading of minutes of preceding meeting; (iv) reports of officers; (v) reports of committees; (vi) election of Directors (at annual meetings or special meetings held for such purpose); (vii) unfinished business; and (viii) new business.

3.9. Action By Written Ballot. Except for election of Directors, any action subject to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act which may be taken at a meeting of the Members may be taken without a meeting by written ballot of the Members. Ballots must be solicited in the same manner as provided in these Bylaws for the giving of notice of meetings of Members. Such solicitations must specify (i) the number of responses needed to meet the quorum requirements, (ii) the percentage of approvals necessary to approve the action, and (iii) the time by which ballots must be received in order to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. 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.

3.10. Consent of Absentees. The actions taken at any meeting of Members, however, called and noticed, are valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum is present either in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act, and (ii) either before or after the meeting, each of the Members not present in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act signs (A) a written waiver of notice, (B) a consent to the holding of such meeting, or (C) an approval of the minutes thereof. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

3.11. 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.

3.12. **Inspectors of Election.** Prior to any meeting of Members, the Board shall appoint inspectors of election for that meeting in accordance with California Civil Code Section 5110. There shall be 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 and may be professionals or consultants, including without limitation certified public accountants or attorneys. 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 shall also appoint inspectors of election to count the ballots in accordance with Section 5110 of the California Civil Code. The results of the election shall be promptly reported to the Board, recorded in the minutes of the next meeting of the Board and made available for review by Members. Within fifteen (15) days, the Board shall publicize the results of the election in a communication directed to all Members.

The inspectors of election shall (a) determine the number of Memberships outstanding, the voting power of each, (b) the number of Members represented at the meeting and the existence of a quorum, (c) receive votes, ballots or consents, (d) hear and determine all challenges and questions in any way arising in connection with the right to vote, (e) count and tabulate all votes or consents, (f) determine when the polls shall close, (g) determine the results of the election, and (h) do such acts as may be proper to conduct the election or vote, with fairness to all Members in accordance with Section 5110 of the California Civil Code. Without limiting the generality of the foregoing, the inspectors of election may appoint and oversee independent third parties to verify signatures and to count and tabulate votes as the inspectors deem appropriate. 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 BOARD OF DIRECTORS

4.1. **Number.** The property, business and affairs of the Master Association shall be governed by a Board of Directors which initially consists of three (3) persons. Upon the Class C Termination Date, 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.

4.2. **Qualifications for Holding Office.** Each Director, except for those initially appointed by Declarant to serve as interim Directors until the first annual meeting, must either be an Owner who meets the qualifications set forth in the Master Declaration or, so long as Declarant or a Merchant Builder (if applicable) owns a Lot or Condominium in the Community

or any portion of the Annexable Property, an agent of Declarant or an agent of a Merchant Builder (if applicable).

4.3. **Powers and Duties.** Subject to the limitations in the Master Declaration and these Bylaws, the Board has the powers and duties necessary to administer the Master Association's affairs and may do all acts and things not otherwise prohibited by law, the Master Declaration or these Bylaws or done exclusively by the Members.

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

4.4.1 **Officers, Agents and Employees.** The power and duty to select, appoint, and remove all Master Association officers, agents, and employees; to prescribe such powers and duties for them as may be consistent with law and the Master Association Documents; to fix their compensation (where compensation is permitted) and require from them security for faithful service as the Board deems advisable; and to contract to provide them with such indemnification as the Board determines is appropriate.

4.4.2 **Contracts.** The power to enter into contracts. This includes contracts (i) for maintenance, legal, accounting, landscaping and common utilities and other services relating to the Master Association Property and/or Master Association Maintenance Areas; (ii) materials, supplies and other Common Expenses; (iii) employing personnel necessary to manage the Community, including legal and accounting services; and (iv) paying for Improvements on the Master Association Property and/or Master Association Maintenance Areas. The Board may not enter into any contract with a third person wherein the third person will furnish goods or services for the Master Association Property and/or Master Association Maintenance Areas or to the Master Association for a term in excess of one (1) year, without the vote or written consent of Members representing at least a majority of the Master Association's voting power (excluding Declarant and any Merchant Builders), except for the following:

(i) 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;

(ii) a management contract with a term not to exceed three (3) years, the terms of which have been approved by the VA or FHA and conform to Section 4.5 hereof;

(iii) prepaid casualty or liability insurance policies of not more than three (3) years' duration, provided that the policies permit short-term cancellation by the Master Association;

(iv) a contract approved by the BRE for a term approved by the BRE;

or

(v) a contract for a term not to exceed three (3) years that is terminable by the Master Association after no longer than one (1) year without cause or penalty or other obligation upon ninety (90) days written notice of termination to the other party.

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

4.4.4 **Principal Office, Place of Meeting, Corporate Seal.** The power, but not the duty, to move the Master Association's principal office to any location selected by the Board; to designate any place in the County of Sacramento for the holding of any annual or special 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.

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

4.4.6 **Assessments.** The power and duty to fix and levy Assessments as provided in the Master Declaration; to fix and levy in any Fiscal Year Capital Improvement Assessments applicable to that year only for capital improvements to the Master Association Property and/or Master Association Maintenance Areas; 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 Master Association for the general benefit and welfare of its Members, in accordance with the provisions of the Master Declaration. Subject to any limitations imposed by the Master 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 Master Association Property and/or Master Association Maintenance Areas. 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 Master Declaration. The Board shall fix all Common Assessments, Cost Center Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments in accordance with the provisions of the Master 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 Master Declaration.

4.4.7 **Enforcement.** The power and duty to enforce the Master Association Documents and any agreements entered into by the Master Association and to impose sanctions against Owners for violating the Master Association Documents.

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

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

4.4.10 **Rules and Regulations.** The power and duty to adopt such Rules and Regulations as the Board deems necessary for managing the Community, 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 Master Association Property, or (B) sent to the Members by first class U.S. mail. Such Rules and Regulations may concern, without limitation, use of the Master Association Property, signs, parking restrictions, minimum standards of property maintenance consistent with the Master Association Documents, and any other matter within the Master Association's jurisdiction as specified in the Master Association Documents; provided that such Rules and Regulations are enforceable only to the extent that they are consistent with the Master Association Documents.

4.4.11 **Corporate Records.** The power and duty to keep, or cause to be kept, a complete record of all Master 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.

4.4.12 **Sale of Property of Master Association.** Subject to the Master Declaration, the power, but not the duty, to sell property of the Master Association, provided, however, that the prior vote of Members representing at least a majority of the Master Association's voting power must be obtained to sell during any Fiscal Year property of the Master Association having an aggregate fair market value greater than five percent (5%) of the Master Association's Budgeted gross expenses for that Fiscal Year.

4.4.13 **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 Master Association Documents and all other books, records and financial statements of the Master Association. The Master 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.

4.4.14 **Subsidy Agreements.** The power, but not the duty, to negotiate and enter into subsidy agreements or other arrangements with Declarant or any Merchant Builders pursuant to which Declarant or such Merchant Builders may subsidize a portion of the Common Expenses in exchange for the Master 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 BRE.

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

4.4.16 **Adoption of Election Rules.** The power and duty to adopt election rules in accordance with Section 5105(a) of the California Civil Code.

4.4.17 **Taxes and Assessments.** The power, but not the duty, to pay taxes and assessments which are, or could become, a lien on the Master Association Property or a portion thereof.

4.5. **Management Agent.** The Board shall employ for the Master 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 4.3 and 4.4.

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

4.6.1 **Annual Budget Report.** An annual budget report (as defined in California Civil Code Section 4076) consisting of at least the following information ("**Annual Budget Report**"), must be distributed thirty (30) to ninety (90) days prior to the end of the Fiscal Year:

(i) A pro forma operating Budget, showing the estimated revenue and Common Expenses computed on an accrual basis, and allocated among the various Maintenance Funds specified in the Master Declaration.

(ii) A summary of the Master Association's Reserves prepared pursuant to Section 5565 of the California Civil Code, which summary shall be based upon the most recent review or study conducted pursuant to Section 5550 of the California Civil Code based only on assets held in cash or cash equivalents, 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 Master 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 of the Master Association Property and/or Master Association Maintenance Areas for which the Master 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 of the Master Association Property and/or Master Association Maintenance Areas for which the Master Association is responsible (*“Actual Reserves”*).

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

(d) The current deficiency in reserve funding, expressed on a per unit basis and calculated in accordance with Section 5565 of the California Civil Code.

(iii) A summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of Section 5550(b) of the California Civil Code. The summary shall include notice to the Members that the full reserve study plan is available upon request, and the Master Association shall provide the full reserve plan to any Member upon request.

(iv) A statement as to whether the Board has determined to defer or not to undertake repairs or replacement of any major component of the Master Association Property and/or Master Association Maintenance Areas with a remaining life of thirty (30) years or less for which the Master Association is responsible, including a justification for the deferral or decision not to undertake the repairs or replacement.

(v) A statement as to whether the Board, consistent with the reserve funding plan adopted pursuant to California Civil Code Section 5560, has determined or anticipates that the levy of one (1) or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component of the Master Association Property and/or Master Association Maintenance Areas for which the Master Association is responsible or to provide adequate Reserves therefor. If so, the statement shall also set out the estimated amount, commencement date and duration of the Assessment.

(vi) A statement as to the mechanism or mechanisms by which the Board will fund Reserves to repair or replace major components, including Assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms.

(vii) A general statement setting forth the procedures used by the Board in calculating and establishing Reserves to defray the future repair, replacement of or additions to those major components of the Master Association Property and/or Master Association Maintenance Areas which the Master Association is obligated to maintain. The report shall include, but need not be limited to, reserve calculations, made using the formula described in

California Civil Code Section 5570(b)(4), and may not assume a rate of return on cash Reserves greater than as permitted by California Civil Code Section 5500(b)(7).

(viii) A statement as to whether the Master Association has any outstanding loans with an original term of more than one (1) year. If so, the statement shall also set out the name of the payee, interest rate, amount outstanding, annual payment and when the loan is scheduled to retire.

(ix) A summary of the Master Association's insurance policies as set forth in Section 4.6.5.

The Board may distribute a summary of the Annual Budget Report in lieu of the Annual Budget Report itself, so long as the Board complies with the provisions of Section 5320 of the California Civil Code.

4.6.2 Reserve Study. The Board shall cause a study of the reserve account requirements of the Community to be conducted in accordance with Section 5550 of the California Civil Code. As used in this Subsection, "**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 of the Master Association Property and/or Master Association Maintenance Areas which the Master Association is obligated to maintain. Concurrently with the distribution of the Annual Budget Report, the Master Association shall distribute to Members the information required pursuant to California Civil Code Section 5570(a).

4.6.3 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.

4.6.4 Annual Financial Report. A financial report consisting of the following ("**Annual Financial Report**") must be distributed within one hundred twenty (120) days after the close of the 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) Any information required to be reported under Section 8322 of the California Corporations Code;
- (v) For any Fiscal Year in which the Master Association's gross income exceeds Seventy-Five Thousand Dollars (\$75,000), a copy of a review of the Annual

Financial Report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy; and

(vi) A statement of the place where the names and addresses of the Members are located.

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

4.6.5 Insurance Information. The Master Association shall distribute, as part of the Annual Budget Report, a summary of the Master Association's property, general liability and other insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit and the amount of the deductible, if any.

(i) The Master Association shall, as soon as reasonably practical, provide individual notice to the Members pursuant to Section 4040 of the California Civil Code if any of the policies described above 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 an increase in the deductible, for any of those policies. If the Master Association receives any notice of nonrenewal of a policy described above, the Master Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(ii) To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, the Master Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Members.

(iii) The summary distributed above shall contain, in at least 10-point boldface type, the following statement:

“This summary of the Master Association’s policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Member of the Master Association may, upon request and provision of reasonable notice, review the Master Association’s insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Master Association maintains the policies of insurance specified in this summary, the Master Association’s policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within

or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Members of the Master Association should consult with their individual insurance broker or agent for appropriate additional coverage.”

4.6.6 Annual Policy Statement. In addition to financial statements, the Board shall distribute within thirty (30) to ninety (90) days prior to the end of the Fiscal Year an annual policy statement which provides the Members with information about the Master Association’s policies pursuant to Section 5310 of the California Civil Code.

4.6.7 Quarterly Reviews. On at least a quarterly basis, the Board shall: (i) cause to be completed and review a current reconciliation of the Master Association’s operating and reserve accounts, (ii) review the current Fiscal Year’s Actual Reserves and expenses compared to the Budget for the then current Fiscal Year, (iii) review the income and expense statement for the Master Association’s operating and reserve accounts, (iv) review the most current account statements prepared by the financial institutions where the Master Association maintains its operating and reserve accounts, and (v) fulfill any additional duties established by Civil Code Section 5500. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) Master Association officer (who is not also a Director) are required for the withdrawal of money from the Master Association’s reserve accounts. As used in this Subsection, the term “reserve accounts” means Budgeted funds that the Board has designated for use to defray the future repair and replacement of, or additions to, those major components of the Master Association Property and/or Master Association Maintenance Areas which the Master Association is obligated to maintain.

4.7. Election and Term of Office.

4.7.1 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 Member, as applicable, shall elect new Directors to fill vacancies of the Board in accordance with Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act. If an annual meeting is not held, or all positions on the Board are not filled at the annual meeting, 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.

4.7.2 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 two (2) years. 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 (3) 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.** Voting shall be by secret written ballot. With the exception of vacancies filled by the Class C Member, a Member may cumulate his votes for any candidate for the Board in any election in which more than two (2) Directors are to be elected if (a) the candidate's name has been placed in nomination before the voting, and (b) the Member has given notice at the meeting before the voting of such Member's intent to cumulate votes. If a Member cumulates his votes, such Member shall cast a total number of votes allocated to the Member as set forth in the Master Declaration, multiplied by the number of Directors to be elected by vote of Members representing the Class A and Class B Members.

4.7.3 Election by Non-Declarant Owners. Notwithstanding the foregoing, whenever notice is given for an election of Directors, and upon such date, (i) Declarant or any Merchant Builders are entitled to exercise a majority of the voting power of the Master Association, and (ii) the Members, other than Declarant and any Merchant Builders, do not have a sufficient percentage of the Master Association's 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 Master Association is attributable to Lots or Condominiums owned by Declarant and any 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.

4.8. **Vacancies.** A vacancy on the Board is deemed to exist (i) in case of death, resignation, removal, judicial adjudication of mental incompetence of any Director or failure by a Director to satisfy all of the qualifications for holding office as specified in the Master Association Documents, or (ii) if 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 Section 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.

4.9. **Removal of Directors.** At any regular or special meeting of the Members duly called, any individual Director 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 Community, by the vote of Members representing a majority of the total Master Association's voting power (including votes attributable to Declarant and any Merchant Builders), and (b) once fifty (50) or more Lots and Condominiums are included within the Community, 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 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 be heard at the meeting at which the voting proposal for removal of such Director is considered. If any Directors are removed, new Directors may be elected at the same meeting if the election of the Directors to fill such vacancies was included as a part of same voting proposal for the removal of Directors. Notwithstanding any other provision of this Section, (a) any Director elected to office solely by the votes of Members representing Members other than Declarant and any Merchant Builders pursuant to Section 4.7.3 may be removed from office prior to the expiration of the term of office only by the vote of at least a simple majority of the Master Association's voting power represented by 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 4.7.3; 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.

4.10. **Compensation.** Directors may not receive any compensation for their services as Directors unless such compensation is first approved by Members representing at least a majority of the Master Association's voting power. However, (a) nothing in these Bylaws precludes any Director from serving the Master Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for actual expenses incurred in performance of Association duties, and (c) no officer, employee or director of Declarant or a Merchant Builder or any affiliate of Declarant or a Merchant Builder may receive any compensation for service as Director of the Master Association.

4.11. **Meetings.**

4.11.1 **Organization Meeting.** The first regular meeting of a newly elected 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 time and place of the first meeting shall be posted at a prominent place or places in the Master Association Property and unless waived pursuant to Section 4.11.8, given to each Director in the same manner as notice of regular meetings.

4.11.2 **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 Community (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. Notice of the time and place of regular Board meetings shall be posted at a prominent place or places in the Master Association Property and unless waived pursuant to Section 4.11.8, must be given to each Director at least four (4) calendar days before the date of the meeting by first-class mail, or delivered personally or given by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. If served by mail, each notice shall be sent, postage prepaid, to the address reflected on the records of the Master Association, and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second (2nd) 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.

4.11.3 **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. Special meetings may be called by the President or by any two (2) Directors. Notice of the time and place of special meetings of the Board shall be posted at a prominent place or places in the Master Association Property and unless waived pursuant to Section 4.11.8, given to each Director on four (4) days' notice by first-class mail, or delivered personally or given by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. If served by mail, each notice shall be sent, postage prepaid, to the address reflected on the records of the Master Association, and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second (2nd)

calendar day after it is deposited in a regular depository of the United States mail as provided herein. The notice must state the time, place and the purpose of the meeting.

4.11.4 Executive Sessions. The Board may convene in executive session to (i) discuss and vote upon personnel matters, litigation in which the Master Association is or may become involved, matters relating to the formation of contracts with third parties, member discipline, and orders of business of a similar nature or (ii) meet with a Member, upon the Member's request regarding the Member's payment of Assessments, as specified in California Civil Code Sections 5660 and 5665. The nature of any and all business to be considered in executive session must first be announced in an open session and must be generally noted in the minutes of the Board in accordance with California Civil Code Section 4935. In any matter relating to the discipline of a Member, the Board must meet in executive session if requested by that Member. The Member may attend the executive session.

4.11.5 Other Meetings. Any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate on any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session, shall constitute a meeting of the Board. In addition, a teleconference where a sufficient number of Directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video, or both, shall constitute a meeting of the Board. A teleconference meeting shall be conducted in a manner that protects the rights of Members and otherwise complies with the requirements of California Civil Code Sections 4900 *et seq.* Except for a meeting which will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that Members may attend, and at least one Director or a person designated by the Board shall be present at that location. Participation by Directors in a teleconference meeting constitutes presence at that meeting as long as all Directors participating are able to hear one another, as well as Members speaking on matters before the Board.

4.11.6 Notice to Members. Except for an emergency meeting held pursuant to California Civil Code Section 4923 ("**emergency meeting**") or a meeting which will be held solely in executive session, Members shall be given notice of the time and place of a meeting at least four (4) days before the meeting. Except for an emergency meeting, Members shall be given notice of the time and place of a meeting which will be held solely in executive session at least two (2) days prior to the meeting. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impractical to provide notice to the Members, then an emergency meeting of the Board may be called by the President or any two other members of the Board without providing notice to the Members pursuant to California Civil Code Section 4923. Notice of a Board meeting shall be given by general delivery pursuant to Section 4045 of the California Civil Code. The notice shall contain the agenda for the meeting. Except as described in California Civil Code Section 4930, the Board may not discuss or take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice that was distributed pursuant to this Section.

4.11.7 Member Participation. All Members shall have the right to attend any regular, special or other meeting of the Board, except an executive session. As specified in

California Civil Code Section 4090(b), a Member shall be entitled to attend a teleconference meeting or the portion of a teleconference meeting which is open to Members, and that meeting or portion of the meeting shall be audible to the Members in a location specified in the notice of the meeting described in Section 4.11.6. Members who are not Directors may not participate in any deliberation or discussion at Board meetings unless authorized by a vote of a majority of a quorum of the Board. However, at each Board meeting, except for executive sessions, the Board must set aside time for Members to speak, subject to reasonable limits imposed by the Board.

4.11.8 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 the Directors is required and any business may be transacted at such meeting provided the requirements of California Civil Code Sections 4900 *et seq.* are satisfied. 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 4.11.6, 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 and (d) the meeting otherwise complies with the requirements of California Civil Code Sections 4900 *et seq.* The Secretary shall file all such waivers, consents and approvals with the Master Association records or make them a part of the minutes of the meeting.

4.12. No Action Without Meeting. Pursuant to California Civil Code Section 4910, the Board shall not take action on any item of business outside of a meeting. Notwithstanding Section 7211 of the California Corporations Code, the Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except as a method of conducting an emergency meeting, if all Directors individually or collectively consent in writing to such action, and if the written consent or consents are filed with the minutes of the meeting. These written consents may be transmitted electronically.

4.13. 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. At any meeting of the Board when less than a quorum is present, the majority of those present may adjourn the meeting to another time. At any such reconvened 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.

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

4.15. 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 (i) provide for the

appointment of a chairperson and its members, (ii) state the purposes of the committee, and (iii) provide for reports, termination and other administrative matters as the Board deems appropriate.

ARTICLE V OFFICERS

5.1. **Designation.** The Master 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, an Assistant Secretary, and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any person may hold more than one office.

5.2. **Election of Officers.** The Board shall annually elect the Master 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 may receive such reasonable compensation for their services as authorized or ratified by the Board; provided that: (i) no officer may receive any compensation for services performed in the conduct of the Master Association's business unless such compensation is first approved by the vote or written consent of Members representing at least a majority of the Master Association's voting power; and (ii) nothing in these Bylaws precludes any officer from serving the Master Association in some other capacity and receiving compensation therefor; and (iii) any officer may be reimbursed for actual expenses incurred in the performance of Master 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 any affiliate of Declarant may receive any compensation.

5.5. **President.** The President is the chief executive officer of the Master Association and shall (i) preside at all Member and Board meetings, (ii) have all of the general powers and duties which are usually vested in the office of the President of a corporation, and (iii) subject to the control of the Board, have general supervision, direction and control of the Master 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 (i) keep the minutes of all meetings of the Board and the minutes of all meetings of the Master Association at the Master Association's principal office or at such other place as the Board may order, (ii) keep the Master Association's seal in safe custody, (iii) keep such books and papers as the Board may direct, (iv) perform all of the duties incident to the office of Secretary, (v) give, or cause to be given, notices of meetings of the Members and the Board required by the Master Association Documents or by law to be given, and (vi) perform such other duties as may be prescribed by the Board or these Bylaws.

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

ARTICLE VI OBLIGATIONS OF MEMBERS

6.1. **Assessments.** All Members must pay, in accordance with the Master Declaration, all Assessments imposed by the Master Association, to meet all Common Expenses. All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the Master 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 Master Declaration and any applicable Neighborhood Declaration. As further provided in the Master Declaration, and subject to the exemption of Declarant and the Merchant Builders (if applicable), all plans for Construction Activities within the Community must receive the prior written consent of the Design Review Committee. The Design Review Committee shall adhere to the Design Guidelines when granting such approvals, in accordance with the Master Declaration.

6.2.2 **Damages by Members.** As further provided in the Master Declaration, each Member shall reimburse the Master Association for any expenditures incurred in repairing or replacing any portion of the Master Association Property, Master Association Maintenance Areas or other properties owned or controlled by the Master 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 Master Association Documents.

ARTICLE VII AMENDMENTS TO BYLAWS

7.1. **Vote of Members.** These Bylaws may be amended by the vote or written consent of Members representing at least (a) a majority of the voting power of each class of the Owners, and (b) a majority of the Master Association's voting power represented by Owners owner than Declarant and the Merchant Builders (if applicable); 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 pursuant to a transaction requiring issuance of a Final Subdivision Public Report by the BRE.

7.2. **Additional Consents.** Article II, Sections 3.1, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 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 any Merchant Builder owns a Lot or Condominium in the Community. Before any material amendment to these Bylaws affecting matters delineated in Sections 9.2, 9.3, 13.2.3 or 13.3 of the Master Declaration is effective, such amendment must be approved by the same percentage of Mortgagees of first Mortgages as specified in the Master 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. So long as there exists a Class B Membership, and the VA or FHA has made or is insuring a Mortgage on a Lot or Condominium in the Community, the prior approval of VA or FHA (whichever entity has made or is insuring a Mortgage) is required for any amendment to these Bylaws to (1) terminate the Bylaws, (2) dissolve the Master Association (except pursuant to merger or consolidation), or (3) convey the Master Association Property. A draft of the proposed amendment must be submitted to VA and FHA for approval before its approval by the Membership.

ARTICLE VIII MORTGAGEES

8.1. **Notice to Master Association.** Upon request, every Member who Mortgages a Lot or Condominium shall notify the Master 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 Master Association of the release or discharge of any such Mortgage.

8.2. **Notice of Unpaid Assessments.** The Master 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 Master Declaration.

ARTICLE IX 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 Master Declaration and these Bylaws, the Master Declaration shall control.

ARTICLE X INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Board may authorize the Master Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, any present or former Master Association Director, officer, committee member, employee or agent as provided in the Master Declaration.

ARTICLE XI 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 Master Association, must be signed or endorsed by the President and Treasurer of the Master 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 Master 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 Master 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 Master Association by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

11.3. **Master Association Documents.** In addition to the rights afforded by the Master Declaration to Mortgagees, insurers and guarantors of first Mortgages with regard to inspection of the Master Association's management documents, the Master Association shall maintain at its principal office (or at such other place within the Community as the Board may prescribe) (a) the Master Association Documents and (b) any documents or items (i) defined under Section 5200 of the California Civil Code as "association records" and "enhanced association records" or (ii) required to be kept pursuant to any other applicable provision of the California Civil Code and the California Corporations Code (collectively, the "**Master 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, all in accordance with applicable provisions of the California Civil Code and California Corporations Code.

11.3.1 **Access Rules.** The Board shall establish reasonable rules regarding (i) notice to be given to the custodian of the Master Association Documents by the Person desiring to make the inspection, (ii) hours and days of the week when such an inspection may be made, and (iii) payment of the cost of copying any of the requested Master Association Documents; provided that every Director shall have the absolute right at any reasonable time to inspect all Master Association Documents and the physical properties owned or controlled by the Master 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 Master Association's costs in making that distribution. Members must be notified in writing, at the time that the Annual Budget Report required in Section 4.6.1 hereof is distributed or at the time of any general mailing to the entire Master 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 Master Association receives written request from any Member, the Master Association must provide to that Member a copy of each of the documents listed in California Civil Code Section 4525 requested by the Member. The Master Association may charge a fee for this service not exceeding the Master Association's reasonable cost to prepare and reproduce the requested documents.

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

ARTICLE XII NOTICE AND HEARING PROCEDURE

12.1. **Initial Complaint.** Persons who believe a violation of the Master Association Documents has occurred may file a complaint with a Person designated by the Board on a form approved by the Board. The Board will commence the enforcement process. In its discretion, the Board may issue one or two violation letters to the Person alleged to have committed the violation ("**Respondent**") or set a hearing described in Section 12.2 below. The Board may direct the Manager to assist the Board in any of the steps the Board chooses to take in enforcing the Master Association Documents except that decisions made at hearings must be made by the Board.

12.2. **Scheduling Hearings.** A hearing before the Board to determine whether a sanction should be imposed may be initiated by the Board after receipt of at least one complaint. To initiate a hearing, the Board must deliver to the Respondent a notice which includes the following:

12.2.1 **Complaint.** A written statement setting forth in ordinary and concise language the acts or omissions with which the Respondent is charged.

12.2.2 **Basis for Violation.** A reference to the specific provisions of the Master Association Documents which the Respondent is alleged to have violated.

12.2.3 **Hearing Schedule.** The date, time and place of the scheduled hearing.

12.2.4 **Sanctions.** A list of sanctions which may be imposed at the hearing.

The date for the hearing may be no less than fifteen (15) days after the date the notice of hearing is mailed or delivered to the Respondent. The Respondent is entitled to attend the hearing, submit a statement of defense to the Board in advance of the hearing, or present a statement of defense and supporting witnesses at the hearing. If the Respondent does not attend the hearing, the Respondent waives these rights.

12.3. **Conduct of Hearing.** The Board shall conduct the hearing in executive session, affording the Respondent a reasonable opportunity to be heard. 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 is entered by the Master Association officer or Board member who mailed or delivered such notice. The record of the meeting must contain a written statement of the results of the hearing and the sanction, if any, imposed.

12.4. **Imposition of Sanctions.** After affording the Respondent an opportunity for a hearing before the Board, the Board may impose any one or more of the following sanctions:

- (i) Levy a Special Assessment as provided in the Master Declaration;
- (ii) Suspend or condition the right of the Respondent and persons claiming through the Respondent to use any recreational facilities the Master Association owns, operates or maintains commencing on a date in the future selected by the Board;
- (iii) Suspend the Respondent's voting privileges as a Member, as provided in the Master Declaration;
- (iv) If permitted by law, Record a notice of noncompliance encumbering the Respondent's Lot or Condominium, the Neighborhood Association Property or Apartment Area; or
- (v) Enter upon the Respondent's Lot or Condominium, the Neighborhood Association Property or the Apartment Area to perform maintenance which, according to the Master Declaration, is the responsibility of the Respondent.

Any suspension of Membership privileges 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 Master Association or to otherwise comply with the Master Association Documents. Written notice of any sanctions to be imposed must be delivered to the Respondent personally via first class mail within fifteen (15) days

following the date of the decision to impose the sanction. No action against the Respondent arising from the alleged violation may take effect prior to five (5) days after the hearing.

12.5. **Limits on Remedies.** The Board's failure to enforce the Master Association Documents does not waive the right to enforce them. The remedies provided by the Master Association Documents are cumulative and not exclusive. However, any individual Member or Neighborhood Association must exhaust all available internal Master Association remedies prescribed by the Master Association Documents, before that Member or Neighborhood Association may resort to a court of law for relief with respect to any alleged violation of the Master Association Documents by another Member or Neighborhood Association. The foregoing limitation pertaining to exhausting internal remedies does not apply to the Board or to any Member or Neighborhood Association where the Complaint (as defined below) alleges nonpayment of Master Association Assessments.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of MCKINLEY VILLAGE COMMUNITY ASSOCIATION, a California nonprofit corporation ("*Master Association*"); and

2. The foregoing Bylaws comprising twenty-six (26) pages including this page constitute the Bylaws of the Master Association duly adopted by the Board of Directors of the Master Association at a meeting of the Board on _____, 201__.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Master Association this ____ day of _____, 201__.

_____, Secretary

[SEAL]

EXHIBIT "H"

COST CENTER IN FIRST SUBDIVISION

The Cost Center Improvements in the First Subdivision shall be a part of the Cost Center described as "The Alley and Court Cost Center" in the Budget adopted by the Master Association and are located on the following Lots:

Lots 1Q, 1R, 1S and 1U as shown on the Final Map of McKinley Village Phase 1B, Subdivision No. P08-086.3, Filed in Book 387, Page 0002, of Maps, in the Office of the Sacramento County Recorder; and

Lots 1AA, 1BB and 1CC as shown on the Final Map of McKinley Village Phase 1C, Subdivision No. P08-086.4, Filed in Book 387, Page 0003, inclusive, of Maps, in the Office of the Sacramento County Recorder.

The Cost Center Owners in the First Subdivision are the Owners of the following Lots:

Lots 83 to 94, inclusive, and 107 to 115, inclusive, as shown on the Final Map of McKinley Village Phase 1B, Subdivision No. P08-086.3, Filed in Book 387, Page 0002, inclusive, of Maps, in the Office of the Sacramento County Recorder ("*Phase 1B Map*"); and

Lots 139 to 150, inclusive, as shown on the Final Map of McKinley Village Phase 1C, Subdivision No. P08-086.4, Filed in Book 387, Page 0003, of Maps, in the Office of the Sacramento County Recorder ("*Phase 1C Map*").

Lots 83 to 94, inclusive, as shown on the Phase 1B Map are part of the residential product type in the Community commonly referred to as the "Courtyards".

Lots 107 to 115, inclusive, as shown on the Phase 1B Map are part of the residential product type in the Community commonly referred to as the "Cottage Greens".

Lots 139 to 150, inclusive, as shown on the Phase 1C Map are part of the residential product type in the Community commonly referred to as the "Commons".

EXHIBIT "I"

DEPICTION OF BERM EASEMENT AREAS

EXHIBIT "J"

DEPICTION OF LANDSCAPE EASEMENT AREAS

EXHIBIT "K"
DEPICTION OF RESCUE AREA

EXHIBIT K

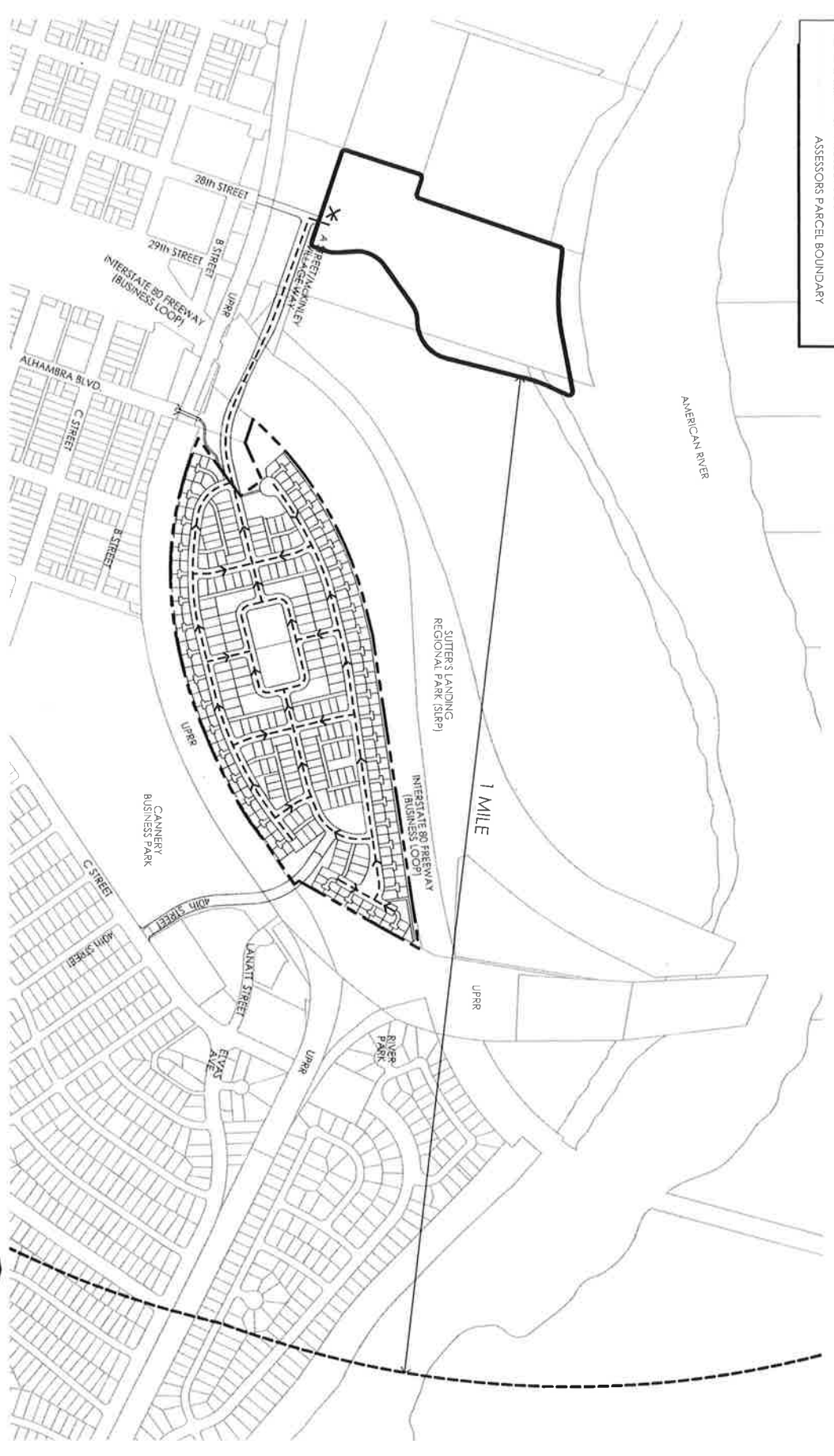
DEPICTION OF RESCUE AREA

CITY OF SACRAMENTO, CALIFORNIA

NOVEMBER 2015

LEGEND

- DESIGNATED EVACUATION ROUTE
- X RESCUE AREA
- PUBLIC REFUGE AREA
- 1 MILE RADIUS FROM REFUGE AREA
- PROJECT BOUNDARY
- ASSESSORS PARCEL BOUNDARY



NOT TO SCALE

WOOD RODGERS
 DEVELOPING INNOVATIVE DESIGN SOLUTIONS
 3301 C St, Bldg. 100-B Tel 916.341.7700
 Sacramento, CA 95816 Fax 916.341.7767

EXHIBIT "L"

EVACUATION PLAN