

RESTATED AND AMENDED BYLAWS
OF
MENDOCINO MANAGEMENT ASSOCIATION NO. 1

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ARTICLE I: THE ASSOCIATION

Section 1.1. Name. The name of the corporation is MENDOCINO MANAGEMENT ASSOCIATION NO. 1, a California nonprofit mutual benefit corporation (“Association”). The principal office of the Association shall be located in the City of Chula Vista, County of San Diego, State of California.

Section 1.2. Applicability of Declaration. These Bylaws are adopted in conjunction with that certain Restatement of Declaration of Covenants, Conditions and Restrictions (“Declaration”) for the Mendocino Planned Development, and to the extent these Bylaws conflict with the provisions of the Declaration, the provisions of the Declaration shall govern and control the affairs of the Association and its Members.

ARTICLE II: DEFINITIONS

Section 2.1. “Association” shall mean and refer to the MENDOCINO MANAGEMENT ASSOCIATION NO. 1, a California nonprofit mutual benefit corporation, and its successors and assigns.

Section 2.2. “Board” shall mean and refer to the Board of Directors of the Association, as the same may be elected or appointed to serve from time to time.

Section 2.3. “Bylaws” shall mean and refer to these Bylaws of the Association as the same may be amended from time to time.

Section 2.4. “Common Area” shall mean all of the real property owned by the Association for the common use and enjoyment of the Owners which is described as:

“Lots G through I of Brandywine Unit No. 1 according to Map thereof No. 6958 filed in the office of the County Recorder of San Diego County, California on June 7, 1971”

Section 2.5. “Declaration” shall mean that certain Restatement of Declaration of Covenants, Conditions and Restrictions for the Mendocino Planned Development recorded in the Office of the San Diego County Recorder's Office, State of California, including any amendments thereto as may be adopted and recorded from time to time.

Section 2.6. “Governing Documents” shall mean the Articles of Incorporation, Bylaws, Declaration and adopted rules and regulations which govern the operation of the Project and the Association.

Section 2.7. “Lot” shall mean any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 2.8. “Member” shall mean those Persons entitled to membership in the Association as provided in the Declaration.

Section 2.9. “Owner” shall mean the record owner, whether one (1) or more Persons, of any Lot as defined herein, including contract sellers and holders of fee simple title, a life estate or an estate for years, but excluding Persons or entities having any interest merely as security for the performance of an obligation.

Section 2.10. “Person” shall mean a natural person, a corporation, a partnership, a trustee, or other legal entity.

Section 2.11. “Project” shall mean the entire parcel of real property, including all structures and improvements erected thereon comprised of Separate Interests and Common Areas as described in the Declaration.

Section 2.12. “Properties” shall mean all of the real property described in the Declaration, and any additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 2.13. “Separate Interest” shall mean a separately owned Lot, parcel, area or space as described in the Declaration.

ARTICLE III: MEMBERSHIP IN ASSOCIATION

Section 3.1. Membership. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Each Owner is obligated to promptly, fully and faithfully comply with the provisions of the Governing Documents and the lawful directives of the Board of Directors and Officers of the Association. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of title or encumbrance of such Lot to which it is appurtenant, and then only to the transferee(s) or mortgagee, in the case of an encumbrance of such Lot. Any attempt to make a prohibited transfer is void. In the event that the Owner of any Lot should fail or refuse to transfer membership to the purchaser of his or her Lot, the Association shall have the right to record the transfer on its books and thereupon the old membership in the name of the seller shall be null and void.

Section 3.2. Limitation on Membership. No Member shall have the right, without prior approval in writing from the Board, to exercise any of the powers or to perform any of the acts delegated to the Board in these Bylaws or the Declaration. Each Member of the Association, his or her immediate family, guests and tenants shall have the right to use and enjoy the Common Area, unless otherwise provided in the Governing Documents of the Association.

Section 3.3. Membership Suspension, Discipline, Etc. The membership rights and privileges, together with voting rights of a Member may be suspended by the Board for any period of time during which the assessment(s), or other authorized charges, which are the personal obligation of the Member remain unpaid and

delinquent after notice and opportunity for hearing. In addition, a Member is subject to suspension of membership rights and privileges, the imposition of monetary penalties and other appropriate discipline for any breach, violation or infraction of the provisions of the Association's Governing Documents after notice and opportunity for hearing. However, any such suspension of member privileges or the imposition of member discipline shall require compliance with the following procedures:

A. The Board shall notify the Member in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the meeting at which the Board intends to consider or impose discipline upon the Member, stating the date, time and place of the meeting, the nature of the alleged breach, violation or infraction and shall inform the Member of his or her right to attend and address the Board at the meeting.

B. The portion of the meeting to consider or impose discipline shall be held in executive session if requested by the Member subject to the proposed discipline. The Board shall consider all evidence on whether or not to impose discipline and shall record the reasons for its decision in the minutes of the meeting.

C. If the Board decides to impose discipline on a Member, the Board shall provide the Member with a written notification of the disciplinary action taken, by either personal delivery or first-class mail, within fifteen (15) days of the Board's decision to impose discipline on that Member.

D. The Board's decision to impose discipline on the Member shall be final and binding on the Member, unless within fifteen (15) days of the Board's giving notice of its decision, the Member appeals the Board's decision to the general membership. This would be done by requesting a special meeting of the members in accordance with these Bylaws for the purpose of reviewing the Board's decision. The vote of the members at any such duly noticed and held special meeting of the members shall be final and binding on all parties.

ARTICLE IV: MEETINGS OF MEMBERS

Section 4.1. Place of Meetings. All meetings of the members shall be held at the Mendocino Properties or at such other location in Chula Vista, California, which is in close proximity thereof as determined by the Board and designated in the notice of meeting.

Section 4.2. Annual Meetings of Members. Annual meetings of members shall be held on a date and time fixed by the Board, except that the annual meeting shall not be held on a legal holiday.

A. Notice Procedures: Written notice of each annual meeting shall be given to each Member, by personal delivery or by sending a copy of the notice by first-class, registered or certified mail, postage prepaid, and mailed to the address supplied by the Member to the Association for the purpose of giving notice. If no such address for notice is provided by the Member, then notice shall be deemed to have been duly given if mailed to the Member's Lot address within the Project or to the principal mailing address of the Association. All such notices shall be given not less than ten (10) days and not more than ninety (90) days before the annual meeting. The notice shall specify the date, time and place of the meeting and identify those matters which the Board, at the time of mailing the notice, intends to present for action by the members

at the meeting. The notice of any annual meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is sent to the members.

B. Required Notice of Certain Agenda Matters: If any of the following matters are intended to be presented at any meeting of the members, whether regular or special, the notice thereof shall state the general nature of the following matters to be submitted for action by the members;

- (1) Removal of a director without cause;
- (2) Filling vacancies on the Board by the members;
- (3) Amending the Articles of Incorporation, Bylaws or Declaration;
- (4) Approving a contract or transaction in which a director has a material financial interest;
- (5) Approving a plan of distribution of assets upon liquidation.

If the notice of meeting does not state that any of the above required matters are intended for action at the meeting, any member actions on such matters shall be invalid and void, unless otherwise validated by compliance with the provisions of Section 11 of this Article entitled "Consent of Absentees".

Section 4.3. Special Meetings of Members. Special meetings of members for any purpose or purposes whatsoever may be called at any time by the Board, the President, or by the members having five percent (5%) or more of the voting power of the Association. Notice of such special meetings shall be given in the same manner as for annual meetings of members. Notice of any special meeting shall specify, in addition to the place, date and time of such meeting, the general nature of the business to be transacted and no other business may be transacted at the meeting. Upon request in writing to the Chairman of the Board, President, Vice President or Secretary by the required number of members entitled to call a special meeting of members, the Board (through its designated officer) shall cause notice to be given to the members entitled to vote that a special meeting shall be held at a time fixed by the Board not less than thirty-five (35) nor more than ninety (90) days after receipt by the Board of the written request for the special meeting. If the Board does not cause notice of the special meeting to be given within twenty (20) days after receipt by the Board of the written request, the members entitled to call the special meeting may give the notice.

Section 4.4. Certification of Mailing of Notice. A certification of mailing (or other means of giving notice) of the notice of any members' meeting may be executed by the secretary, assistant secretary, or other officer or person designated by the Board for giving such notice, and if so executed and filed in the official records (minute book) of the Association then it shall be presumed that notice was duly given for the meeting.

Section 4.5. Waiver of Notice by Attendance. Attendance by a Member (in person or by proxy) at a membership meeting shall constitute a waiver of the notice of that meeting, except that the Member, at the beginning of the meeting, may object to any inadequacy or illegality of the notice and/or to the transaction of any business stated in the notice. However, attendance of a Member at a membership meeting

shall not waive the right to object to the consideration of any matters not included in the notice of the meeting if that objection is expressly made at the meeting.

Section 4.6. Proxies. Every Member entitled to vote (or execute written consents) may do so in person or by a written proxy dated and signed by the Member and filed with the Secretary of the Association. The written proxy must designate the person(s) appointed to act as the agent for the Member. The term and revocability of proxies are governed by the California nonprofit mutual benefit corporations law.

In any election of directors, any form of proxy that is marked by a Member “withhold”, or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be voted for or against the election of directors.

Section 4.7. Quorum. The presence in person or by proxy of a majority of the voting power of the Association entitled to vote at any membership meeting shall constitute a quorum for the transaction of business. If a quorum is present, the affirmative vote of the majority of the Members represented at the meeting, entitled to vote and voting on any matter (other than the election of directors) shall be the act of the members, unless the vote of a greater number of votes is required by the California nonprofit mutual benefit corporation law. The Members present at a duly called and held membership meeting at which a quorum is present, may continue to do business until adjournment, notwithstanding the withdrawal of enough voting power to leave less than the meeting's initial quorum provided that any action taken (except adjournment) is approved by at least a majority of the members which constitute the minimum required quorum to hold the meeting. If a quorum is not present the procedures for adjournment and the reduced quorum requirement is discussed in Section 12 entitled “Adjournment” of this ARTICLE.

Section 4.8. Parliamentary Procedures. Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or in accordance with any parliamentary procedures adopted by the Board for conducting such meetings.

Section 4.9. Member Participation. The Association shall permit, in accordance with its adopted membership meeting procedures, any Member to speak at any meeting of the Association. The Board shall establish a reasonable time limit for members to speak before a meeting of the Association in accordance with the agenda for the meeting and the adopted parliamentary procedures for conducting such meetings.

Section 4.10. Voting of Memberships.

(a) Members of Record. The Person(s) holding membership in the Association as of the close of business on the day prior to the meeting date shall be deemed the Member of record for voting purposes at the meeting.

(b) Single Membership Vote. Ownership of a Lot shall constitute a single membership vote in the Association. If more than one Person is the Owner of a Lot, all such Persons shall be deemed to be one member for voting purposes (although all such Owners shall have all such other rights and obligations of membership as may be provided in the Association's Governing Documents). The co-Owners of a Lot shall

notify the Secretary of the Association, in writing, of the designated co-Owner having the sole right and authority to vote the membership on their behalf. If no such designation is received by the Secretary, the vote of any co-Owner of record may be accepted as the sole binding vote for the Lot and its other co-Owners. Each Owner of a Lot shall furnish proof of ownership, as may be required by the Secretary of the Association, to establish any entitlement to membership or voting rights in the Association.

(c) Voting Eligibility. Only a Member in good standing shall be entitled to issue a proxy or to vote on any matter presented to the membership for approval or vote. The Association is not obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of nonpayment of assessments or other charges owing the Association, and in such cases the Member shall not be eligible to vote until the Member is in good standing with the Association.

(d) Voting Methods. Voting at any membership meeting may be by voice, show of hands, roll call, by ballot, or in accordance with the procedures adopted by the Association. However, only in any election of directors, and only upon the request of any Member before the voting begins, if any Member requests (1) to vote by secret ballot, then the voting for election of directors by all Members shall be conducted by secret ballot, and/or (2) to cumulate votes, then all Members may cumulate their votes and give one candidate for director a number of votes equal to the number of directors to be elected or distribute the Member's votes on the same principle among as many candidates as the Member so chooses.

Section 4.11. Consent of Absentees. The transactions of any meeting of members, either annual or special, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum is present, either in person or by proxy, and if, either before or after the meeting, each person entitled to vote who was not present, in person or by proxy, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes thereof. Any such written waiver of notice or consent to holding of the meeting shall require specific disclosure of matters requiring special notice as provided in Section 2(B) of this ARTICLE. All such written waivers, consents or approvals shall be filed with the Secretary and made a part of the minutes of the meeting.

Section 4.12. Adjournment of Membership Meetings: Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time as provided below by the vote of a majority of the voting power present, in person or by proxy, but in the absence of the minimum required quorum no other business may be trans acted at the meeting.

(a) Quorum Not Present. If any membership meeting cannot be held because a quorum is not present, Members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to another time, date and place (but for not more than forty-five (45) days from the date of the original meeting) by the vote of a majority of the Members present and voting. At the reconvened meeting the quorum requirement shall be at least thirty-four (34%) of the total voting power of the Association. If the meeting is adjourned to another time and place, notice need not be given of the continued (reconvened) meeting if the new date, time and place are announced at the meeting before adjournment. At the reconvened meeting only

action that was noticed for the original meeting may be acted upon at the continuation of the meeting and no other business may be conducted.

(b) Quorum Present. Any meeting of members at which a quorum is present, in person or by proxy, may be adjourned for any reason to a place, time and date (not more than forty-five (45) days from the date of the original meeting) by the vote of Members representing a majority of the votes present, in person and by proxy, and voting. Notice need not be given of the continued (reconvened) meeting if the new date, time and place are announced at the meeting before adjournment. At the reconvened meeting only action that was noticed for the original meeting may be acted upon at the continuation of the meeting and no other business may be conducted.

Section 4.13. Action Without Meeting (Written Ballot Solicitation). Any action which may be taken at any regular or special meeting of the members may be taken without a meeting if there is compliance with all of requirements for a Written Ballot solicitation, as follows:

1) The Board must send a Written Ballot, by first-class, registered or certified mail, postage prepaid, to every voting Member of record in the Association soliciting the Member's vote and/or signed written approval, as to the specified action(s) or matter(s) to be voted on or approved in writing by the membership as specified in the solicitation; and,

2) The Written Ballot must specify the number of ballots which must be received by the Association (or postmarked) by a specified date in order to satisfy the minimum quorum requirement for each such action(s) or matter(s) as specified in the solicitation; and,

3) The Written Ballot must specify the number (or percentage) of votes or signed written approvals which must be received by the Association (or postmarked) by a specified date in order to be counted for the required number (or percentage) of votes or signed written approvals as required to approve each such action(s) or matter(s) as specified in the solicitation; and,

4) The form of the Written Ballot shall afford an opportunity on the written ballot for the Member to specify a choice between "approval" and "disapproval" and "abstain" as to each action(s) or matter(s), or group of related actions or matters, to be acted upon in the solicitation. Written Ballots shall be voted in accordance with the Member's specified choice (i.e. approval, disapproval or abstain) as to each such action(s) or matter(s) as set forth on the Written Ballots; and,

5) The required number of Written Ballots must actually be received by the Association (or postmarked) by the specified date in order to satisfy the minimum quorum requirement of each action(s) or matter(s) as specified in the solicitation. In addition, the required number (or percentage) of vote(s) or signed written approval(s) must actually be received by the Association (or postmarked) by the specified date in order to be counted concerning the action(s) or matter(s) as specified in the solicitation.

ARTICLE V: BOARD OF DIRECTORS

Section 5.1. Number and Qualification of Directors. The Board shall consist of either five (5), seven (7) or nine (9) directors as specified from time to time by duly adopted resolution of the Board recorded in the minute book of the Association. Provided, however, no reduction of the number of then serving directors [i.e. from nine (9) to seven (7), etc.] shall have the effect of removing any director before that director's term of office expires. Directors must be a Member in good standing.

Section 5.2. Nominations for Director. The Board shall appoint a nominating committee to select qualified candidates for nomination for election to the Board of Directors. The nominating committee shall make its report to the Board a reasonable time before the date set for giving notice of the meeting at which directors will be elected. The Secretary shall send to each Member a list of candidates who have been nominated for director at the time of giving notice of meeting. The nominating committee shall nominate at least as many candidates as there are directors to be elected at the meeting. At the meeting to elect directors, any Member present at the meeting in person may place names in nomination for director before the voting for directors begins.

Section 5.3. Election and Term of Office. At each annual meeting of members, the voting members shall elect the number of persons necessary to fill the then vacant positions on the Board of Directors. The persons elected shall serve for a term of one (1) or two (2) years (or until his or her successors are elected) as may be necessary to achieve overlapping terms of the directors. The intent of overlapping terms is to provide continuity of the persons serving on the Board from year to year. The decision as to which elected directors will serve one (1) or two (2) year terms shall be made by resolution of the then serving Board of Directors.

Section 5.4. Voting for Directors. Voting for directors may be by voice, show of hands, roll call, by ballot, or in accordance with the procedures adopted by the Association. However, if in any election of directors, upon the request of any Member before the voting begins, any Member may request (1) to vote by secret ballot, then the voting for election of directors by all Members shall be conducted by secret ballot, and/or (2) to cumulate votes, then all Members may cumulate their votes and give one candidate for director a number of votes equal to the number of directors to be elected or distribute the Member's votes on the same principle among as many candidates as the Member so chooses.

Section 5.5. Removal of Directors. The entire Board may be removed by the vote of a majority of the total voting power of the Association at any duly held meeting of the members noticed for that purpose. However, no single director or number of directors constituting less than the entire Board may be removed (unless the entire Board is removed) when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all memberships entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

Section 5.6. Vacancies. A vacancy (or vacancies) in the Board, except for vacancies created by removal, may be filled by a majority of the remaining directors, and each director so appointed shall hold office until his or her successor is elected at the next annual or special membership meeting called for that purpose. If more than

one (1) vacancy exists on the Board, which has not been filled by the remaining director(s) for any reason, a regular or special meeting of Members may be duly requested in accordance with these Bylaws to elect the needed number of directors to fill all of the then vacant positions on the Board of Directors. In all other respects vacancies on the Board shall be governed by the California nonprofit mutual benefit corporations law.

ARTICLE VI: MEETINGS OF DIRECTORS

Section 6.1. Place of Meetings. Regular and special meetings of the Board may be held at any place within the Project as designated by resolution of the Board and stated in the notice of the meeting.

Section 6.2. Organizational Meetings. The Board shall hold a regular or special meeting, within a reasonable time following each annual meeting of members, for the purpose of organization, election of officers and the transaction of other business.

Section 6.3. Regular Meetings. Regular meetings of the Board shall be held without call at such times as fixed by the Board and communicated to the Board members. Ordinarily, regular meetings are to be held monthly and regular meetings must be conducted on at least a quarterly basis.

Section 6.4. Notice of Regular Meetings. Notice of the time and place of regular meetings shall be posted at a prominent place or places in the common area designated for that purpose and communicated to the Board members not less than four (4) days prior to the meeting.

Section 6.5. Special Meetings. Special meetings of the Board may be called for any purpose at any time by the President or any two (2) directors.

Section 6.6. Notice of Special Meetings. Notice of the time and place of special meetings shall be posted at a prominent place or places in the common area designated for that purpose and the notice shall state the specific nature of any business to be conducted at the meeting. Notice of special meetings shall be given to Board members by one of the following methods: (a) by personal delivery of written notice; (b) by first-class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate promptly such notice to the director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association. Notices sent by first-class mail shall be deposited in a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone (or e-mail, but only if authorized by the director), or telegraph shall be delivered, telephoned, or given to the telegraph company at least forty-eight (48) hours before the time set for the meeting. Any notice to Board members shall state the time and place for the meeting and the nature of the specific business to be considered or conducted at the meeting.

Section 6.7. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though

taken at a meeting duly held after regular call and notice, if (a) a quorum is present and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. All waivers, consents and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 6.8. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to those provisions of the California Nonprofit Mutual Benefit Corporations Law, especially those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect financial interest, (b) appointment of committees, and (c) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, by the Articles, or bylaw.

Section 6.9. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn the meeting to another time and place. If a meeting is adjourned for more than 24 hours, notice of the adjournment to any other time and place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment.

Section 6.10. Attendance by Members.

(a). Meetings Generally Open to Members. All meetings of the Board shall be open to Members of the Association, with the exception of Executive Sessions of the Board as provided in (b) below. However, non-director Members may participate in deliberations or discussions of the Board only when expressly authorized by the Board member chairing the meeting. The agenda for board meetings shall provide a time which permits any member of the Association to speak at any meetings of the Board, except for meetings of the Board held in Executive Session. The Board shall establish a reasonable time limit for any member of the Association to speak at meetings of the Board.

(b). Executive Sessions. The Board, upon the vote of a majority of directors present at the meeting, shall be entitled to adjourn at any time for the purposes of reconvening in executive session to consider (a) litigation, (b) matters relating to the formation of contracts with third parties, (c) member discipline, or (d) other personal or business matters of a similar nature. The Board shall announce, to the Members in attendance at the meeting, the general nature of the purpose of the executive session before adjourning to executive session. The Board shall meet in executive session if requested by any Member who may be subject to any form of discipline and the Member shall be entitled to attend the executive session.

Section 6.11. Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board individually and collectively consent in writing to that action. Any such action by written consent shall have the same force and effect as an unanimous vote of the Board. All such written consents shall be filed with the minutes of the proceedings of the Board.

Section 6.12. Minutes of Meetings of the Board. The minutes, or minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than executive sessions, shall be available to Members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs for making that distribution. Any matter discussed in executive session shall only be generally noted in the minutes for that meeting.

Section 6.13. Compensation. Directors, Officers and Members of Committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board to be just and reasonable. However, this section shall not be construed to preclude any Director, Officer or Member from serving the Association in any other capacity as an agent, employee or otherwise and receiving compensation therefor so long as such financial interest is duly disclosed and approved by the members in accordance with the California Nonprofit Mutual Benefit Corporation's Law.

ARTICLE VII: DIRECTORS

Section 7.1. Powers and Duties. Subject to the Declaration, the Articles of Incorporation, these Bylaws and the California Nonprofit Mutual Benefit Corporation Law as to any action to be authorized or approved by the members, and subject to the duties of directors as prescribed by the Declaration and these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by, the Board. Without prejudice to such general powers but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers and duties:

(a) Appoint, select, supervise and remove all officers, agents and employees of the Association, prescribe such powers and duties for such persons that are consistent with law, the Articles, these Bylaws or the Declaration, and to fix their compensation;

(b) Conduct, manage and control the affairs and business of the Association, and to enforce the Association's Governing Documents as they deem to be in the best interest of the Association; such enforcement shall include, but shall not be limited to, imposing monetary penalties, temporary suspension of any Member's rights as a member of the Association not to exceed thirty (30) days for each violation and/or other appropriate discipline for failure to comply with any of the provisions of the Governing Documents, provided that the Member is afforded notice and opportunity for hearing as provided in ARTICLE III, Section 3, of these Bylaws.

(c) Adopt and establish Rules and Regulations governing the use of the Common Areas and the personal conduct of the Members and their guests thereon,

consistent with the provisions of the Articles, Declaration, these Bylaws and the California Nonprofit Mutual Benefit Corporation's Law.

(d) Contract for and pay premiums for fire, casualty, general liability, fidelity and other insurance insuring the Association and its Members with respect to the real property, together with the buildings and improvements thereon, comprising the Project in which the Association has an insurable interest as deemed adequate and appropriate from time to time by the Board. However, the Association shall maintain in effect at least the minimum limits of coverage as provided in the California Civil Code (Section 1365.9 as amended or superseded) to protect the owners of the separate interests against tort liability arising solely by reason of their ownership interest in the Common Area property of the Project as provided in that code provision. In addition, insurance coverage shall also include Officer's and Director's errors and omissions coverages insuring the members of the management body against liability arising out of their management functions. The Association shall maintain in effect at least the minimum limits of coverage as provided in the California Civil Code (Section 1365.7 as amended or superseded) to protect volunteer officers and directors against personal liability for tortious acts as provided in that code provision.

(e) Contract for and pay for care, maintenance, repair or replacement and for materials, supplies, labor and services in relation to the Common Areas and/or other portions of the Project which the Association is obligated to maintain, repair or replace that may be required from time to time as the Board determines to be appropriate or necessary.

(f) Contract and pay for charges for water, electricity, gas, or other utility services for the Common Area to the extent the same are not separately metered or charged to and paid by the Owners of the Separate Interests.

(g) Pay for all taxes or other assessments or charges that are or would become a lien on any portion of the Common Areas.

(h) Contract and pay for construction or reconstruction of any portion of the Project that has been damaged or destroyed that the Association is obligated to rebuild or restore as provided in the Declaration.

(I) Enter any Separate Interest in order to perform the obligations of the Association as provided in the Governing Documents subject to the limitations set forth in the Declaration.

(j) Contract and pay for legal, accounting and similar professional services as deemed from time to time by the Board to be appropriate and necessary.

(k) Prepare budgets and financial statements and maintain a set of books and records regarding the financial condition of the Association in a manner consistent with generally accepted accounting practices and to distribute the same to the Members in accordance with these Bylaws.

(l) Cause to be kept a complete record of the acts and affairs of the Association, including minutes of the regular and special meetings of the Board and minutes of the regular and special meetings of the membership.

(m) To prosecute or defend, in the name of the Association, any action or proceeding affecting or relating to the Common Area or the property owned by the

Association or on behalf of the Owners concerning any matter in which all or a substantial number of the Owners have an interest.

(n) To fix, levy and collect assessments from the Members of the Association in accordance with the Declaration. In addition, as appropriate, to establish and collect reasonable use charges for any of the Common Area facilities as the Board may deem necessary and appropriate from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation of such facilities.

(o) To open bank accounts and borrow money on behalf of the Association and designate the authorized signatories to such accounts or transactions subject to the limitations set forth in these Bylaws.

(p) To fill vacancies on the Board of Directors or in any committee, except vacancies created by the removal of a Board member.

(q) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California and to delegate any of its powers to others, including officers, employees or committees of the Board.

Section 7.2. Limitations of Board's Powers. Without the vote or written assent of a majority of the total voting power of the Members of the Association, the Board shall not take any of the following actions:

(a) Enter into a contract with any third party for the furnishing of goods or services to the Common Area or to the Association for a term longer than a year. This limitation shall not apply to the following:

(1) FHA or VA-approved management contracts provided that the contract provide for short-term termination, upon the giving of written notice by either party;

(2) public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate;

(3) prepaid casualty or liability insurance policies not to exceed three year's duration, provided that the policies provide for short-term cancellation by the insured;

(4) lease agreements for laundry room fixtures and equipment not to exceed five (5) years' duration;

(5) agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five (5) years' duration;

(6) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five (5) years' duration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five (5%) percent of the budgeted gross expenses of the Association for that fiscal year; however, this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five (5%) percent of the budgeted gross expenses of the Association for that year; however, this limitation shall not apply to the sale or other disposition of real property acquired by the Association in an action to enforce collection of assessments as provided in the Declaration.

(d) Pay compensation to members of the Board or officers of the Association; however, such persons can be reimbursed for reasonable out-of-pocket expenses, verified as being incurred in the discharge of their duties.

(e) Fill any vacancy on the Board created by the removal of a director.

Section 7.3. Committees of Directors. The Board may, by resolution adopted by a majority of the directors then in office, designate one or more committees, each consisting of one (1) or more directors, to serve at the pleasure of the Board. No committee, regardless of Board resolution, may;

- (1) take any final action on matters which, under the California Nonprofit Mutual Benefit Corporation's Law or these Bylaws also requires members' approval;
- (2) fill vacancies on the Board or in any committee;
- (3) amend or repeal any resolution of the Board;
- (4) appoint any other committees of the Board or the members of those committees;
- (5) approve any transaction to which the Association is a party and one or more directors or committee members have a material financial interest.

Section 7.4. Meetings of Committees. The regular and special meetings of committees shall be governed by resolution of the Board, except for the time and place of the meetings which may be set by resolution of the committee. Notice of meetings of the committees shall be in accordance with the provisions of these Bylaws concerning meetings of directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. The procedures for committees shall be in accordance with rules and procedures for the governance of any committee adopted by the Board consistent with the provisions of these Bylaws.

Section 7.5. Effect of Committee Actions. Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a committee, all actions of any committee shall be considered advisory to the Board and shall be scheduled on the agenda of a Board meeting for appropriate action as the Board in its discretion deems appropriate.

ARTICLE VIII; OFFICERS

Section 8.1. Officers. The Officers of the Association shall consist of a president, a secretary and a chief financial officer. In the discretion of the Board, the Association may also have vice presidents, assistant secretaries, assistant treasurers and such other officers as may be appointed by the Board pursuant to this Article. Any number of offices may be held by the same person, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 8.2. Election. The officers of the Association, except those appointed in accordance with the provisions of this Article, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of members and the election of directors and each officer shall hold his or her office until he or she shall resign, shall be removed or be otherwise disqualified to serve or his or her successor shall be elected and qualified.

Section 8.3. Subordinate Officers. The Board may appoint, or may authorize the president or other officer to appoint, any other officers that the business of the Association may require. Each such officer shall hold the office for the period and have the authority and duties as specified in these Bylaws or as determined by resolution of the Board from time to time.

Section 8.4. Removal of Officers. Officers serve at the pleasure of the Board and any officer may be removed by a majority vote of the Board at any time at any regular or special meeting of the Board, either with or without cause.

Section 8.5. Resignation of Officers. Any officer may resign his or her office at any time by giving written notice to the Board. Any notice of resignation shall be effective upon receipt or upon the date specified in the notice. Unless specified in the notice, acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 8.6. Vacancies. A vacancy in any office because of the death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 8.7. President. The President shall be elected by the Board from among the directors. The President shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs of the Officers of the Association. The President shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of President of a corporation together with such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 8.8. Vice President. The Vice President shall be elected by the Board from among the directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to, all the restrictions upon the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or these Bylaws.

Section 8.9. Secretary. The Secretary shall attend to the following:

(a) Books of Minutes. The Secretary shall keep or cause to be kept at the principal office, or at such other location as the Board may direct, a book of minutes of all meetings of the Directors and Members, with the time and place of holding the same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Director's meetings, the number of members present, in person or by proxy, at Members meetings, and the proceedings of such meetings.

(b) Membership Records. The Secretary shall keep or cause to be kept, at the principal office of the Association or at such other location as the Board may direct, appropriate current records showing the Members of the Association, together with their addresses and their membership status together with any special information (i.e. mailing address for giving notice, etc.) provided by the Member to the Association.

(c) Notices and Other Duties. The Secretary shall be elected by the Board from among the directors. The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board required by these Bylaws to be given. The Secretary shall keep the seal of the Association in safe custody. The Secretary shall have such other powers and duties as may be prescribed from time to time by the Board or these Bylaws.

Section 8.10. Chief Financial Officer. The Chief Financial Officer shall be elected by the Board from among the directors. The Chief Financial Officer, who shall also be known as the Treasurer, shall attend to all of the following:

(a) Books of Account. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open for inspection by any Director or Member.

(b) Deposit and Disbursement of Money, etc. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board for that purpose and disburse the funds of the Association as may be ordered by the Board. In addition, he or she shall render to the President and Directors, whenever they request it, an account of all his or her transactions as Treasurer and of the financial condition of the Association. The Treasurer shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

ARTICLE IX: REPORTS AND DISCLOSURES TO MEMBERS

As may be required by law, the following reports and/or disclosures shall be made or provided to the Members by the Association as set forth below:

Section 9.1. Budget. A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year:

- 1) The Association's estimated revenue and expenses on an accrual basis;
- 2) A summary of the Association's reserves based on the most recent review or study conducted pursuant to Civil Code § 1365.5, or its comparable superseding statute, 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 comprising the Project that the

Association is obligated to repair, replace, restore or maintain (collectively “Association Capital Projects”);

(B) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital Projects and the current amount of accumulated cash reserves actually set aside for Association Capital Projects; and,

(C) The percentage of the estimated amount of necessary cash reserves calculated under subparagraph (B), above, that represents the amount of accumulated cash reserves;

3) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component comprising the Project for which the Association is obligated to repair, replace, restore or provide adequate reserves therefor; and,

4) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the future costs of repair, replacement, restoration, or additions thereto, to those major components comprising the Project for which the Association is obligated to repair, replace or restore.

[At least once every three years, the Board must have a study of the reserve account requirements of the Association conducted if the current replacement value of the major components the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review the reserve study on an annual basis and shall consider and implement necessary adjustments to the reserve account allocations as the Board deems appropriate as a result of that review. The reserve study mentioned herein shall include the minimum requirements specified in Civil Code § 1365.5, or its comparable superseding statute].

Section 9.2. Year-End Report. Within 120 days after the close the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to the Members:

- 1) A balance sheet as of the end of the fiscal year;
- 2) An operating (income) statement for the fiscal year;
- 3) A statement of changes in financial condition for the fiscal year;
- 4) A statement advising Members of the place where the names and addresses of the current Members are located; and,
- 5) A statement disclosing any “insider transactions” (i.e. compensation to directors or officers, financial considerations to directors or officers such as contracts, indemnification of directors or officers, etc.) as may be required to be reported pursuant to Corporations Code § 8322, or its comparable superseding statute.

Section 9.3 Annual Statement of Association's Collection Policy. Within sixty (60) days before the beginning of the fiscal year, a statement shall be distributed describing the Association's policies, practices and procedures for the enforcement and collection of regular and special assessments against Members, including the recording of liens and foreclosing such liens against the Member's Lot.

Section 9.4. Annual Statement of Insurance Maintained by the Association.

1) Distribution of Insurance Summary. Within sixty (60) days before the beginning of the fiscal year the Association shall distribute to its Members a summary of the Association's property, general liability (earthquake and flood insurance, if applicable) prepared in accordance with Civil Code § 1365 (e), or its comparable superseding statute.

2) Content of Insurance Summary. The Insurance Summary as provided for in this Section 4, shall include, at a minimum, the following required information:

- (A) The name of the insurance company (insurer);
- (B) The type of insurance;
- (C) The policy limits of the insurance; and
- (D) The amount of the deductibles, if any.

In addition, the insurance summary shall include the following statement in at least 10-point boldface type: 'THIS SUMMARY OF THE ASSOCIATION'S POLICIES OF INSURANCE PROVIDES ONLY CERTAIN INFORMATION, AS REQUIRED BY SECTION 1365 (e) OF THE CALIFORNIA CIVIL CODE, AND SHOULD NOT BE CONSIDERED A SUBSTITUTE FOR THE COMPLETE POLICY TERMS AND CONDITIONS CONTAINED IN THE ACTUAL POLICIES OF INSURANCE. ANY ASSOCIATION MEMBER MAY, UPON REQUEST AND PROVISION FOR REASONABLE NOTICE TO THE ASSOCIATION, REVIEW THE ASSOCIATION'S INSURANCE POLICIES AND, UPON REQUEST AND PAYMENT OF REASONABLE DUPLICATION CHARGES, OBTAIN COPIES OF THOSE POLICIES. ALTHOUGH THE ASSOCIATION MAINTAINS THE POLICIES OF INSURANCE SPECIFIED IN THE SUMMARY, THE ASSOCIATION'S POLICIES MAY NOT COVER YOUR PROPERTY, INCLUDING PERSONAL PROPERTY, OR REAL PROPERTY IMPROVEMENTS TO OR AROUND YOUR UNIT, OR PERSONAL INJURIES OR OTHER LOSSES THAT OCCUR WITHIN OR AROUND YOUR UNIT. EVEN IF A LOSS IS COVERED BY THE ASSOCIATION'S INSURANCE, YOU MAY NEVERTHELESS BE RESPONSIBLE FOR PAYING ALL OR A PORTION OF ANY DEDUCTIBLE THAT APPLIES. ASSOCIATION MEMBERS SHOULD CONSULT WITH THEIR INDIVIDUAL INSURANCE BROKER OR AGENT FOR APPROPRIATE ADDITIONAL COVERAGE.'

To the extent that any of the information that is required to be included in an annual insurance summary is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by providing its Members with a copy of the declaration page(s) as appropriate.

3) Notice of Cancellation or Material Change in Policies. If any of the policies described in the annual statement of insurance distributed to the Members either lapse or are canceled and are not immediately renewed, restored or replaced or if there are any significant changes in the policies, such as a reduction in coverage or limits or an increase in the deductible, then the Association shall, as soon as reasonably practical, notify its Members of the lapse, cancellation or significant change. This notice shall be sent by first-class mail. If the Association receives any notice of nonrenewability of a policy described herein, the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Section 9.5. Members' Right to Receive Board Minutes. Members shall be notified in writing at the time of distribution of the pro forma budget as provided in Section 1, above, or at the time of any general mailing to the entire membership of the Members' right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained and the costs thereof

Section 9.6. Notice of Civil Code § 1354's Alternative Dispute Resolution.

Members of the Association shall annually be provided a summary of the provisions of California Civil Code § 1354, which makes specific reference to that section and which shall include the following language:

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

The summary of Civil Code § 1354 shall be provided to each Member either at the time the pro forma budget required by Civil Code § 1365 is distributed or in the manner specified in Section 5016 of the Corporations Code.

Section 9.7. Statement of Member's Outstanding Charges. Within ten (10) days following receipt of a written request by a Member, the Association shall provide the Member with a written statement setting forth the following information as of the date of the statement:

- 1) the amount of the Association's current regular and special assessments and fees, as well any assessments levied upon the Member's Lot that are unpaid;
- 2) true information on the amounts of any delinquent assessments, penalties, attorney fees, and other charges against the requesting Member's Lot that may be made a lien on that Member's Separate Interest under Section 1367 of the Civil Code, or its comparable superseding statute; and
- 3) any change in the Association's current regular or special assessments and fees which have been approved by the Association's Board, but have not become due and payable as of the date of the statement.

Section 9.8. Schedule of Monetary Penalties. If the Association adopts a schedule of monetary penalties for commonly recurring violations or infractions of the Governing Documents or any other policy imposing a monetary penalty or a fee on any Member for a violation or infraction of the Governing Documents, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall distribute the schedule or policy to the Members by either personal delivery or by first-class mail within a reasonable time after such adoption. Members shall be given like notice of any amendments or changes to the schedule or policies.

ARTICLE X: MISCELLANEOUS

Section 10.1. Amendments. These Bylaws may be amended by the vote of fifty-one percent (51%) or more of the total voting power of the Members of the Association, or by the written assent of such members.

Section 10.2. Interpretation. In the event of any conflict between the provisions of the Articles and these Bylaws, the provisions of the Articles shall prevail. In the case of any conflict between the provisions of the Declaration and these Bylaws, the Declaration shall prevail. Rules and Regulations adopted by the

Association must be consistent with the provisions of the Articles, these Bylaws and the Declaration.

Section 10.3. Inspection of Books and Records.

1) Member Inspection Rights. All accounting books and records, minutes of proceedings of the Members, the Board and its committees and the membership list of the Association shall at all times be subject to the inspection of any Member, or his or her designated representative, at all times during reasonable business hours at the office (or other location specified by resolution of the Board) for any purpose reasonably related to the Member's interests as a member of the Association. A Member's inspection rights shall require ten (10) days written demand before the date of inspection and the demand shall state the purpose for which the inspection rights are requested. A Member's inspection rights shall also be subject to the provisions of the California Nonprofit Mutual Benefit Corporations Code.

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

3) Inspection Rules and Procedures. The Board may, from time to time, adopt reasonable rules and procedures governing Members inspection rights consistent with these Bylaws and California law.

Section 10.4. Corporate Seal. The Association may have a seal in circular form within its circumference the words "Mendocino Management Association No. 1, Incorporated in the State of California".

Section 10.5. Checks. Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed in such manner as shall be determined from time to time by resolution of the Board.

Section 10.6. Notice Requirements. Any notice or other document permitted or required to be delivered as provided in these Bylaws may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered 72 hours after the same has been deposited in the United States mail, postage prepaid, and addressed as follows:

A. if addressed to the Association or the Board of Directors, then at the principal office of the Association or to such other address as may be designated from time to time by written notice to the Members;

B. if addressed to a Director, then at the address from time to time given by such Director to the Secretary of the Association for the purpose of service of such notice, or if no such address has been given, then to the address of the Lot within the Project owned by such Director.

C. if addressed to a Member, then at the address from time to time given by the Member to the Secretary of the Association for the purpose of service of

such notice, or if no such address has been given, then to the address of the Lot within the Project owned by such Member.

Section 10.7. Indemnification. Indemnification. The indemnification of Directors, Officers, Employees and other Agents of the Association shall be governed by the California Nonprofit Mutual Benefit Corporations Code, Section 7237, or its comparable superseding statute.

Section 10.8. Fiscal Year. Fiscal Year. The fiscal year of the Association shall be determined from time to time by resolution of the Board, subject to compliance with applicable Federal and State law.

Section 10.9 Enforcement. In the event any person or entity shall commence any action or proceeding to enforce or interpret any of the provisions of these Bylaws, or any rules and regulations or resolutions adopted pursuant thereto, the prevailing party (defined as the party in whose favor judgment is entered) to any such action or proceeding shall be entitled in addition thereto to recovery of reasonable attorney fees as fixed and determined pursuant to applicable law.

Section 10.10. Contracts, etc. How Executed. Any document executed (signed) by the President, Secretary or Treasurer, or any two of them, upon which the Corporate Seal is affixed, shall be presumed to be authorized and binding on the Association. In addition, the Board may authorize such other officers or agents to execute documents on behalf of the Association pursuant to specific written resolution of the Board; and unless so expressly authorized in writing, no director, officer, employee or agent shall have any power or authority to bind the Association by any contract or agreement and the same shall be null and void and unenforceable.

CERTIFICATION OF ADOPTION

We, the undersigned, being duly elected and serving Officers of the MENDOCINO MANAGEMENT ASSOCIATION NO. 1, hereby certify that the foregoing Restated and Amended Bylaws of Mendocino Management Association No. 1 have been duly approved and the same are hereby adopted as, the Bylaws of the Association evidenced and acknowledged by our signatures below.

Executed on 2-25, 2002, at Chula Vista, California.

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