

BYLAWS
OF
LAKE SAN MARCOS CONDOMINIUM
NUMBER 1

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BYLAWS
OF
LAKE SAN MARCOS CONDOMINIUM
NUMBER 1

ARTICLE I

NAME AND LOCATION

1.01 The name of the corporation for which these are the Bylaws is "LAKE SAN MARCOS CONDOMINIUM NUMBER 1" (hereinafter referred to simply as the "Association"). The principal office of the Association shall be located at the address of the Incorporator until such time as the first (organizational) meeting of the Members is held, and thereafter it shall be located at the address of the Condominium Project.

ARTICLE II

DEFINITIONS

2.01 The definitions contained and set forth in the Declaration of Covenants, Conditions, and Restrictions and Reservation of Easements for the LAKE SAN MARCOS Condominium Project in the City of San Marcos, California, hereinafter referred to simply as the "Declaration", are incorporated herein by reference and made a part hereof as though set forth in full.

ARTICLE III

MEETING OF MEMBERS AND VOTING

3.01 Annual Meeting. Regular meetings of Members of the Association shall be held not less frequently than once each calendar year. The first meeting of the Association, whether a regular or special meeting, shall be held within 45 days after the closing of the sale of the Condominium in the Project which represents the fifty-first (51st) percentile interest authorized for sale under the first public report for the Condominium Project, provided that Public Report authorizes the sale of 50 subdivision interests or more in the subdivision. However, in no event shall the first meeting be held later than six months after the closing of the sale of the first subdivision interest without regard to the number of subdivision interests authorized for sale in the first public report. The date, time, and place of the first annual meeting shall be set by the Board at the organizational meeting so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent regular annual meetings of the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter, at a time determined by the Board of Directors. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

3.02 Special Meetings. A special meeting of the Members shall be promptly scheduled by the Board of Directors in response to the vote of the Board itself or a written request for a special meeting signed by Members representing at least five (5%) percent of the total voting power of the Association. The provisions of the Declaration, as related to special meetings of the Association, are incorporated herein by reference and made a part hereof as though set forth in full.

3.03 Notice and Place of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of the secretary or person authorized to call the meeting, by personal delivery or mailing a copy of such notice, postage prepaid, at least ten (10) days, but not more than ninety (90) days before such meeting to each institutional lender requesting notice and to each member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Notwithstanding any other provision of law, notice of meetings of the Members shall specify those matters the Board intends to present for action by the Members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. Meetings shall be held within the Condominium Project, or at a meeting place within the same county and as close to the Condominium Project as possible. Institutional lenders may designate in writing a representative to attend all meetings, and are hereby authorized to furnish information to the Association concerning the status of any loan encumbering a Unit within the Condominium Project.

3.04 Quorum. The presence at any meeting, either in person or proxy, of Members entitled to cast at least fifty-one (51%) percent of the total voting power of the Association shall constitute a quorum for any action except as otherwise provided in the Restrictions. If, however, such quorum shall not be present or represented at any meeting, a majority of the Members entitled to vote thereat shall have the power to adjourn the meeting to date not less than five (5) days nor more than thirty (30) days from the meeting date, at which meeting the quorum requirements shall be one-third (1/3) of the total voting power. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for annual meetings. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum; provided that at least twenty-five (25%) percent of the total voting power of the Association remains present in person and/or by proxy, and provided further that any action taken shall be approved by at least a majority of the Members required to constitute a quorum.

3.05 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary and/or the management company before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Unit, or upon receipt of notice by the secretary of the Board of the death or judicially declared incompetence of a member, or upon the expiration of eleven (11) months from and after the date of its execution, unless the Member executing it specifies therein the length of time for which the proxy is to continue in force, which in no case may exceed three (3) years from and after the date of its execution. Every form of proxy or written ballot which provides an opportunity to specify approval, disapproval with respect to any proposal shall also contain a space marked "abstain". Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

3.06 Membership Classes and Voting Rights. Membership shall be held as provided in the Declaration. Voting rights attributable to Units shall not vest until assessments against those Units have been levied by the Association. The Association shall have two (2) classes of voting membership:

(a) Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one (1) vote for each Unit owned. When more than one person holds an interest in any Unit, all such persons shall be Members; and the vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Unit.

(b) Class B. Class B Members shall be the Declarant, and shall be entitled to vote as follows: voting shall be the same as for Class A memberships, except that the Class B Members may triple their votes for each Unit owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) When the total outstanding votes held by the Class A members equal the total outstanding votes held by the Class B member; or

(2) The second anniversary of the first Close of Escrow in the Project.

3.07 Action Without Meeting. Any action which may be taken by the vote of Members at a regular meeting or special meeting, except the election of the Members of the Board of Directors, may be taken without a meeting if done in compliance with the provisions of Sections 7513 and 7516 of the California Corporations Code.

3.08 Conduct of Meetings. Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedure as the Association

3.09. Open Meeting Act Requirements. Notwithstanding any other language included herein, in accordance with Civil Section 1363.05, the Common Interest Development Open Meeting Act, the following procedures shall be followed:

(a) Any member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a member, upon the member's request, regarding the member's payment of assessments, as specified in Civil Code Section 1367 or 1367.1. The Board of Directors of the Association shall meet in executive session, if requested by a member who may be subject to a fine, penalty, or other form of discipline, and member shall be entitled to attend the executive session.

(b) Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership.

(c) The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors of the Association, other than an executive session, shall be available to members within 30 days of the meeting.

(d) The minutes, proposed minutes, or summary minutes shall be distributed to any member of the Association upon request and upon reimbursement of the Association's costs for making that distribution.

(e) Members of the Association shall be notified in writing at the time that the proforma budget required in Civil Code Section 1365 is distributed, or at the time of any general mailing to the entire membership of the Association, of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

(f) As used in this section, "meeting" includes any congregation of a majority of the members of the Board of Directors at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(g) In accordance with Title 10 California Administrative Code Section 2792.17 (d), members shall be given at least ten (10) days and not more than ninety (90) days notice prior to the meeting. Notice shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Owner who has requested notification of board meetings by mail, at the address requested by the Owner. Notice may also be given by mail or delivery of the notice to each unit in the development or by newsletter or similar means of communication.

(h) An emergency meeting of the Board of Directors may be called by the President of the Association, or by any two (2) members of the governing body other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board of Directors, and which of necessity make it impracticable to provide notice as required by this section.

(i) The Board of Directors of the Association shall permit any member of the Association to speak at any meeting of the Association or the Board of Directors, except for meetings of the Board held in executive session. A reasonable time limit for all members of the Association to speak to the Board of Directors or before a meeting of the Association shall be established by the Board of Directors.

3.10. Meeting Requirements of Civil Code Section 1368.4.

In accordance with Civil Code Section 1368.4, not later than thirty (30) days prior to the filing of any civil action by the Association against the declarant or other developer of a common interest development for alleged damage to the Common Area, alleged damage to the separate interests that the Association is obligated to maintain or repair, or alleged damage to the separate interests that arises out of, or is integrally related to, damage to the Common Areas or Separate Interests that the Association is obligated to maintain or repair, the Board of Directors of the Association shall provide written notice to each member of the Association who appears on the records of the Association when the notice is provided. This notice shall specify all of the following:

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

(2) The options, including civil actions, that are available to address the problems.

(3) The time and place of this meeting.

(4) Notwithstanding language included in this Section 3.10, if the Association has reason to believe that the applicable statute of limitations will expire before the Association files the civil action, the Association may give the notice, as described herein, within thirty (30) days after the filing of the action.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE, MEETINGS, POWERS AND DUTIES

4.01 Number. The affairs of this Association shall be managed by a Board of ~~three~~ ^{Five} (5) Directors, who need not be Members of the Association until conversion of Class B membership to Class A, after which time all Directors must be members of the Association. The initial Directors shall be appointed by Declarant and shall hold office until their successors are elected at the first (organizational) meeting of the Members.

4.02 Term of Office. At the first (organizational) meeting of the Association, the Members shall elect ~~three~~ ^{Five} (5) Directors to serve until the first annual meeting. At the first annual meeting and each annual meeting thereafter, the Members shall elect two (2) Directors for a term of two (2) years and ~~one~~ ^{Three} (3) directors for a term of one (1) year, but in the event that any such annual meeting is not held, or the Directors not elected at such meeting, the Directors may be elected at any special meeting of the Association held for that purpose, and all incumbent Directors shall hold their office until their successors are elected.

4.03 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Notice to the Members of the Association of the meeting shall include the names of all those who are nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairman, who shall be a director, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Association, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidate shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

4.04 Election. The first election of the Board shall be conducted at the first (organizational) meeting of the Association. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Restrictions. The persons receiving the largest number of votes shall be elected. Cumulative voting shall be utilized during all elections in which two (2) or more positions on the Board are to be filled. Voting for Directors shall be by secret written ballot. So long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents on the Board (at least one [1] Director) shall have been elected solely by the votes of the Owners other than the Declarant. A Member shall be entitled to cumulate his or her vote for one or more candidates for the Board of Directors if the candidate's name has been placed in nomination prior to voting and if the Member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

4.05 Removal; Vacancies. Unless the entire Board is removed from office by a simple majority vote of Association Members, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect him if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election were then being elected. A director who was elected solely by the votes of Members other than the Declarant may be removed from office prior to the expiration of his term only by the votes of a majority of Members other than the Declarant. In the event of death or resignation of a Director, his successor shall be selected by a majority of the remaining Directors or by a sole remaining Director, and shall serve for the unexpired term of his predecessor. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. Any vacancy created by the removal of a Director can be filled only by election of the Members.

4.06 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such place within the Condominium Project and at such hour as may be fixed from time to time by resolution of the Board. The Board of Directors may meet as infrequently as once every six months if the Board of Directors determines that the business to be transacted does not justify more frequent meetings. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of the time and place of meeting shall be posted at a prominent place within the Common Area and shall be communicated to Directors not less than four (4) days prior to the meeting; provided that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

4.07 Special Meetings. Special Meetings of the Board of Directors shall be held when called by written notice signed by the president of the Association or by any two (2) Directors other than the president. The Notice shall specify the time and place of the meeting and the nature of any special business to be considered. The Notice shall be personally delivered or mailed to all Directors and posted at a prominent place within the Common Area not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to any Director who signed a waiver of notice or a written consent to holding of the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

4.08 Quorum; Notice of Adjourned Meeting. A majority of the number of Directors shall constitute a quorum and be necessary for the transaction of business, except to adjourn until the time fixed for the next regular meeting of the Directors. Every act performed or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. 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 the meeting. Notice of the time and place of holding the adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment, and shall be posted at a prominent place within the Common Area. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice or explanation, the Board shall communicate such notice or explanation by any means it deems appropriate.

4.09 Open Meetings. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, or personnel matters. All other meetings of the Board shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

4.10 Participation in Meetings by Directors. In accordance with Civil Code Section 7211, members of the Board may participate in a meeting through use of conference telephone, electronic video screen communications, or other communications equipment. Participation in a meeting pursuant to Section 7211 constitutes presence in person at that meeting if all of the following apply:

(A) Each member participating in the meeting can communicate with all of the other members concurrently:

(B) Each member is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection, to a specific action to be taken by the Corporation.

(C) The Corporation adopts and implements some means of verifying both of the following:

(i) A person communicating by telephone, electronic video screen, or other communications equipment is a director entitled to participate in the Board meeting.

(ii) All statements, questions, actions, or votes were made by that director and not by another person not permitted to participate in the Board meeting.

4.11 Executive Session. The Board may, with approval of a majority of its members present at a meeting in which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of an Association Member, the Board of Directors shall meet in executive session if requested by the Member being disciplined, and the Member shall be entitled to attend the executive session.

4.12 Action Taken Without a Meeting. The Directors may take any action in the absence of a meeting which they are required or permitted to take at a meeting, by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Directors have been obtained. If the Common Area consists of only an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board shall communicate said explanation by any means it deems appropriate.

4.13 Duties. It shall be the duty of the Board of Directors to:

(a) Maintenance: Maintain the Condominium Project in accordance with the provisions of the Condominium Project Documents.

(b) Insurance: Procure and maintain insurance as required by the provisions of the Restrictions.

(c) Discharge of Liens: Discharge by payment, if necessary, any lien against the Common Area and assess the cost thereof to the Member or Members responsible for the existence of said lien.

(d) Assessments: Fix, levy, collect, and enforce assessments as set forth in the Restrictions.

(e) Expenses and Obligations: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

(f) Records: Cause to be kept a complete record of all its acts and affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4th) of the Class A Members; keep adequate and correct books and records of account, minutes of its own proceedings and those of its committees, and a record of its Members and the members of the Association, giving their names and addresses and classes of membership.

(g) Supervision: Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed.

(h) Enforcement: Enforce the provisions of the Restrictions.

4.14 Powers. The Board of Directors shall have the power to:

(a) Manager: Employ a manager as provided in the Restrictions.

(b) Adoption of Rules: Adopt rules in accordance with the provisions of the Restrictions.

(c) Assessments, Liens, and Fines: Levy and collect assessments and impose fines as provided in the Restrictions.

(d) Enforcement: Enforce the provisions of the Restrictions.

(e) Contracts: Contract for goods and/or services in accordance with the provisions of the Restrictions.

(f) Delegation: Delegate its authority and powers to committees, officers, or employees of the Association.

(g) Partition: Sell the Condominium Project, in the event of partition pursuant to the provisions of the Declaration.

4.15 Prohibited Acts. The Board of Directors shall not take any of the following actions except with the vote or written consent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant, or where the two-class voting structure is still in effect as provided in the Restrictions, a majority of each class membership:

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

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or U.S. Department of Veterans Affairs (if either of these entities is the holder, insurer or guarantor of any loan or mortgage on any Unit in the Condominium Project);

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(3) Prepaid casualty and/or liability insurance policies of not-to-exceed three (3) years duration, provided that the policy permits short-rate cancellation by the insured.

(4) Lease agreements for laundry room fixtures and equipment not-to-exceed five (5) years in duration; provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(5) Agreements for cable television services and equipment or satellite services and equipment of not-to-exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation, and services of not-to-exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incurring, during any fiscal year, any expenditures for capital improvements to the Common Area; or, if the Condominium Project has not been submitted to and approved by the VA, aggregate expenditures for such purposes, in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Selling, during any fiscal year, any property of the Association; or, if the Condominium Project has not been submitted to and approved by the VA, any such property having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(d) Paying compensation to Directors or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(e) Filling a vacancy on the Board of Directors created by the removal of a Director.

4.16 Compensation. Except as provided in Paragraph 4.15 (d) herein above, no Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

4.17 Indemnification of Officers and Directors. Each Director and officer shall be indemnified by the Association and the Members against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him by judgment or settlement in connection with any proceeding to which he may be a party, or to which he may become involved, by reason of his being or having been a Director or officer of the Association, except in cases of fraud, gross negligence or bad faith of the Director or officer in the performance of his duties.

4.16 Financial Accounts; Reserve Study.

(a) On at least a quarterly basis, the Board of Directors shall review: a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget, the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts, and an income and expense statement for the Association's operating and reserve accounts.

(b) The signatures of at least two persons, who shall be Members of the Association's Board of Directors, or one officer who is not a Member of the Board and one Member of the Board, shall be required for the withdrawal of monies from the Association's reserve accounts, meaning monies that the Association's Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

(c) The Board of Directors shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation, involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established. The Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of initial transfer except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Condominium Project, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this paragraph. This special assessment is subject to the limitations imposed by Section 1366. The Board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

(d) When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the members of the Association of that decision in the next available mailing to the members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the Association at the Association's office.

(e) At least once every three years the Board of Directors shall cause a study of the reserve account requirements of the Condominium Project to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall review this study each year and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required by this paragraph shall at a minimum include:

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

(2) Identification of the probable remaining useful life of the components identified in subparagraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in subparagraph (1) during and at the end of their useful life.

(4) An estimate of the total annual assessment necessary to defray the cost to repair, replace, restore, or maintain the components identified in subparagraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(f) As used in this section, "reserve account requirements" means the estimated funds which the Association's Board of Directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

4.19 Minutes of Meeting. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors of the Association, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, the proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution. Members of the Association shall be notified in writing at the time that the pro forma budget required in Civil Code Section 1365 is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained.

ARTICLE V

OFFICERS AND THEIR DUTIES

5.01 Enumeration of Officers. The officers of the Association shall be a president and vice-president, who shall at all times be Directors, a secretary, and chief financial officer (treasurer), and such other officers as the Board may from time to time create by resolution.

5.02 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Association.

5.03 Term. The officers of the Association shall be elected annually by the Board as follows. At the first (organizational) meeting of the Association, the Board shall elect three (3) officers to serve until the first annual meeting. At the first annual meeting and each annual meeting thereafter, the Directors shall elect two (2) officers for a term of two (2) years and one (1) officer for a term of one (1) year. In the event that such annual meeting is not held or the officers not elected at such meeting, the officers may be elected at any special meeting of the Association held for that purpose, and all incumbent officers shall hold their office until their successors are elected.

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

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

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

5.07 Multiple Offices. After the first (organizational) meeting of the Members of the Association has been held, no person shall simultaneously hold more than one office, except that the offices of secretary and chief financial officer may be held by the same person, and except in the case of special offices created pursuant to Paragraph 5.04 of this Article.

5.08 Duties. The duties of the officers are as follows:

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

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

(c) Secretary. The secretary shall record all votes and keep the minutes of all meetings and proceedings of the Board and of the Association, serve notice of meetings of the Board and of the Association; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board. The foregoing duties, may, upon approval of the Board of Directors of the Association, be delegated to the management company selected by the Association. The foregoing delegation of duties to a management company does not include the withdrawal of moneys from the reserve account per Civil Code Section 1365.5 (b).

(d) Chief Financial Officer. The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; shall keep proper books of account; shall prepare and distribute financial statements to each Member of the Association as follows. The foregoing duties, may, upon approval of the Board of Directors of the Association, be delegated to the management company selected by the Association. The foregoing delegation of duties to a management company does not include the withdrawal of moneys from the reserve account per Civil Code Section 1365.5 (b).

5.09 Documents to be Prepared and Distributed to Members.
An appropriate officer of the Association shall prepare and distribute to all of its members the following documents:

(a) A proforma operating budget for the immediately ensuing fiscal year, which shall include all of the following shall be annually distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year;

(1) The estimated revenue and expenses on an accrual basis.

(2) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to California Civil Code Section 1365.5, which shall be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each component.

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

(i) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(ii) The current amount of accumulated reserves actually set aside to repair, replace, restore, or maintain major components.

(C) The percentage that the amount determined for purposes of clause (ii) of subparagraph (B) is of the amount determined for purposes of clause (i) of subparagraph (B).

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

(4) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain.

(In accordance with Civil Code Section 1365, the summary of the Association's reserves disclosed pursuant to section (2) herein will not be admissible in evidence to show improper financial management of the Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision).

(b) A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000.00). A copy of the review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year.

(c) In lieu of the distribution of the pro forma operating budget required by subparagraph (a), the Board of Directors may elect to distribute a summary of the proforma operating budget to all Members with a written notice that the pro forma operating budget is available at the business office of the Association or at another suitable location within the boundaries of the Condominium Project and that copies will be provided upon request and at the expense of the Association. If any Member requests that a copy of the pro forma operating budget required by subparagraph (a) be mailed to the Member, the Association shall provide the copy to the Member by first class United States mail at the expense of the Association and deposited so as to be delivered within five days. The written notice that is distributed to each of the Association's Members shall be in at least 10-point bold type on the front page of the summary of the budget.

(d) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

(e) A summary of the Association's general liability policy that states all of the following:

- (1) The name of the insurer.
- (2) The policy limits of the insurance.
- (3) If an insurance agent, as defined in Section 1621 of the Insurance Code, an insurance broker, as defined in Section 1623 of the Insurance Code, or an agent of an insurance agent or insurance broker has assisted the Association in the development of the general liability policy limits and if the recommendations of the insurance agent or insurance broker were followed.
- (4) The insurance deductibles.
- (5) The person or entity that is responsible for paying the insurance deductible in the event of loss.
- (6) Whether or not the insurance coverage extends to the real property improvements to the separate interests.

(f) A summary of the Association's earthquake and flood insurance policy, if one has been issued, that states all of the following:

- (1) The name of the insured.
- (2) The policy limits of the insurance.
- (3) The insurance deductibles.
- (4) The person or entity responsible for paying the insurance deductible in the event of loss.

(g) A summary of the liability coverage policy for the director and officers of the Association that lists all of the following:

- (1) The name of the insurer.
- (2) The limits of the insurance.

(h) Notwithstanding (e), (f), and (g), the Association will, as soon as reasonably practical, notify its members by first-class mail if any of the policies have lapsed, been canceled and are not immediately renewed, restored or replaced or if there is a significant change, such as reduction in coverage or limits or an increase in deductible as to any of these policies. If the Association receives any notice of nonrenewal of a policy, the Association will immediately notify its members if replacement coverage will not be in effect by the date the existing coverage will lapse. If the Association renews any of the policies or a new policy is issued to replace an insurance policy of the Association, and where there is no lapse in coverage, the Association will notify its members of that fact in the next available mailing to all members pursuant to Section 5016 of Corporations Code.

(i) To the extent that the information to be disclosed pursuant to (e), (f), and (g) is specified in the insurance policy declaration page, the Association may meet the requirements of those sections by making copies of that page and distributing it to all its members.

(j) The summary distributed pursuant to sections (e) (f), and (g) will contain in at least 10-point boldface type the following statement: "This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request, and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property including personal property, or real property improvements to or around your dwelling or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage."

(k) 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 of closing of the first sale of a Unit in the Project, and an operating statement for the period from the date of the first closing to the said accounting date, will be distributed within sixty (60) days after the accounting date. The operating statement will include a schedule of assessments received and receivable identified by the numbers of the Units and the name or names of the Owners assessed.

(l) An annual report consisting of: (A) a balance sheet as of the end of the Association's fiscal year, (B) an operating (income) statement for the fiscal year, (C) a statement of changes in financial position for the fiscal year, and (D) any information required to be reported under Section 8322 of the California Corporations Code, will be distributed within one hundred twenty (120) days after the close of the fiscal year. If this report is not prepared by an independent accountant, it will be accompanied by the certificate of an authorized officer of the Association indicating that the statements were prepared without audit from the books and records of the Association.

(m) In accordance with Civil Code Section 1365.1, the Association shall distribute the written notice described in subdivision (b) to each member of the Association during the 60-day period immediately preceding the beginning of the Association's fiscal year. The notice shall be printed in at least 12-point type. An Association distributing the notice to an Owner of an interest that is described in Section 11003.5 of the Business and Professions Code may delete from the notice described in subdivision (b) the portion regarding meetings and payment plans. (b) The notice required by this section shall read as follows:

"NOTICE
ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND NONJUDICIAL FORECLOSURE

The failure to pay an association assessments may result in the loss of an owner's property without court action, often referred to as nonjudicial foreclosure. When using nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the lien is not paid. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time (Sections 1366 and 1367.1 of the Civil Code).

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

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

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

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

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

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments (Sections 1366.3 and 1367.1 of the Civil Code).

An owner may dispute an assessment debt by giving the board of the association a written explanation, and the board must respond within 15 days if certain conditions are met. An owner may pay assessments that are in dispute in full under protest, and then request alternative dispute resolution (Sections 1366.3 and 1367.1 of the Civil Code).

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

MEETINGS AND PAYMENT PLAN

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

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

(n) The foregoing duties may be delegated to a manager appointed by the Board.

(o) The fiscal year of the Association will begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year will begin on the date of incorporation or establishment of the Association.

ARTICLE VI

BOOKS AND RECORDS

6.01 Inspection by Members. Members of the Association shall have access to Association records in accordance with Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. The members of Association shall have the same access to the operating rules of the Association as they have to the accounting books and records of the Association. The Condominium Project Documents, the membership register (including names, telephone numbers, mailing addresses, and voting rights), books of account, minutes of meetings of the Association, Board, and committees and operating rules shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Condominium Project as the Board may prescribe.

6.02 Rules for Inspection. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the Member desiring to make the inspection.

(b) Hours and days of the week when such an inspection may be made.

(c) payment of the cost of reproducing copies of documents requested by a Member.

6.03 Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at reasonable charge.

ARTICLE VII

DISCIPLINING OF MEMBERS BY THE ASSOCIATION.

7.01 Abridgement of Use of Common Area. The Board of Directors is hereby prohibited, in accordance with Section 2792.26 of the California Code of Regulations, from causing a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Unit on account of the failure of the Owner to comply with the provisions of the governing instruments or of the duly enacted rules of operation for common areas and facilities except by judgement of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association.

7.02. Monetary Penalties; Temporary Suspensions. The Board of Directors is hereby authorized to impose monetary penalties, temporary suspensions of an Owner's rights as a member of the Association, or other appropriate discipline for failure to comply with the governing instruments provided that the procedures for notice and hearing, satisfying the minimum requirements of Section 7341 of the Corporations Code and Section 1363 of the Civil Code are followed with respect to the accused member before a decision to impose discipline is reached.

7.03. Treatment of a Monetary Penalty. A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Areas and facilities for which the member was allegedly responsible or in bringing a member and his Unit in compliance with the governing instruments may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the members Unit enforceable by a sale of the Unit in accordance with the provisions of Sections 2924, 2924 (b) and 2924 (c) of the Civil Code. The provisions of this Section 7.03 do not apply to charges imposed against an Owner consisting of reasonable late pay payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its effort to collect delinquent assessments.

ARTICLE VIII

OPERATING RULES

8.01. Civil Code Requirements. The Association shall comply with the requirements of Civil Code Section 1357.100 to 1357.400, inclusive.

8.02. Operating Rules.
In accordance with Civil Code Section 1357.110, the following terms shall apply to this ARTICLE VIII:

(a) "Operating Rule" means a regulation adopted by the Board of Directors of the Association that applies generally to the management and operation of the common interest development or to the conduct and affairs of the association.

(b) "Rule Change" means the adoption, amendment, or repeal of an operating rule by the Board of Directors of the Association.

8.03. Valid and Enforceable Rule.
In accordance with Civil Code Section 1357.110, an operating rule is valid and enforceable only if all of the following requirements are satisfied:

(a) The rule is in writing.

(b) The rule is within the authority of the Board of Directors of the Association conferred by law or by the Declaration, Articles of Incorporation or Bylaws of the Association.

(c) The rule is not inconsistent with governing law and the Declaration, Articles of Incorporation and Bylaws of the Association.

(d) The rule is adopted, amended or repealed in good faith and in substantial compliance with the requirements of this article.

(e) The rule is reasonable.

8.04. Applicability of Rule.

In accordance with Civil Code Section 1357.120, the foregoing only apply to an operating rule that relates to one (1) or more of the following subjects:

(a) Use of the Common Area or of an Exclusive Use Common Area.

(b) Use of a separate interest, including any aesthetic or architectural standards that govern alteration of a separate interest.

(c) Member discipline, including any schedule of monetary penalties for violation of the governing documents and any procedure for the imposition of penalties.

(d) Any standards for delinquent assessment payment plans.

(e) Any procedures adopted by the Association for resolution of assessment disputes.

8.05. Notification Procedures.

In accordance with Civil Code Section 1357.130, the Board of Directors shall provide written notice of a proposed rule change to the members at least thirty (30) days before making the rule change. The notice shall include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change. Notice is not required under this subdivision if the Board of Directors determines that an immediate rule change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association.

(a) A decision of a proposed rule change shall be made at a meeting of the Board of Directors, after consideration of any comments made by Association members.

(b) As soon as possible after making a rule change, but not more than fifteen (15) days after making the rule change, the Board of Directors shall deliver notice of the rule change to every association member. If the rule change was an emergency rule change made under subdivision (a), the notice shall include the text of the rule change, a description of the purpose and effect of the rule change, and the date the rule change expires.

(c) If the Board of Directors determines that an immediate rule change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the association, it may make an emergency rule change; and no notice is required, as specified in subdivision (a). An emergency rule change is effective for one hundred twenty (120) days, unless the rule change provides for a shorter effective period. A rule change adopted under this subdivision may not be readopted under this subdivision.

8.06. Reversal of Rule Change.

In accordance with Civil Code Section 1357.140, members of an Association owning five percent (5%) or more of the separate interests may call a special meeting of the members to reverse a rule change.

(a) A special meeting of the members may be called by delivering a written request to the president or secretary of the Board of Directors, after which the Board shall deliver notice of the meeting to the Association's members and hold a meeting in conformity with Section 7511 of the Corporations Code. The written request may not be delivered more than thirty (30) days after the members of the Association are notified of the rule change. Members are deemed to have been notified of a rule change on delivery of notice of the rule change, or on enforcement of the resulting rule, whichever is sooner. For the purposes of Section 8330 of the Corporations Code, collection of signatures to call a special meeting under this section is a purpose reasonably related to the interests of the members of the Association. A member may request to copy or inspect the membership list solely for that purpose and may not be denied on the grounds that the purpose is not reasonably related to the member's interests as a member.

(b) The rule change may be reversed by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum), or if the Declaration or Bylaws require a greater proportion, by the affirmative vote or written ballot of the proportion required. In lieu of calling the meeting described in this section, the Board may distribute a written ballot to every member of the Association in conformity with the requirements of Section 7513 of the Corporations Code.

(c) Unless otherwise provided in the Declaration or Bylaws, for the purposes of this section, a member may cast one (1) vote per separate interest owned.

(d) A meeting called under this section is governed by Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of and Section 7612 and 7613 of, the Corporations Code.

(e) A rule change reversed under this section may not be readopted for one (1) year after the date of the meeting reversing the rule change. Nothing in this section precludes the Board of Directors from adopting a different rule on the same subject as the rule change that has been reversed.

(f) As soon as possible after the close of voting, but not more than fifteen (15) days after close of voting, the Board of Directors shall provide notice of the results of a member vote held pursuant to this section to every member. Delivery of notice under this subdivision is subject to Section 1350.7

(g) This section does not apply to an emergency rule change made under subdivision (d) of Civil Code Section 1357.130.

8.07. Validity of Rule Change.

In accordance with Civil Code Section 1357.150, this Article shall apply to a rule change commenced on or after January 1, 2004.

(a) Nothing in this Article affects the validity of a rule change commenced before January 1, 2004.

(b) For the purposes of this section, a rule change is commenced when the Board of Directors of the Association takes its first official action leading to adoption of the rule change.

8.08. Applicability of Sections 1357.130 and 1357.140.

In accordance with Civil Code Section 1357.120 (b), Sections 1357.130 and 1357.140 do not apply to the following actions by the Board of Directors:

(a) A decision regarding maintenance of the common area.

(b) A decision on a specific matter that is not intended to apply generally.

ARTICLE XIX

NONCOMMERCIAL SIGNS, POSTERS, FLAGS OR BANNERS

9.01. Prohibitions on restrictions.

In accordance with Civil Code Section 1353.6, the governing documents, including the operating rules, may not prohibit posting or displaying of noncommercial signs, posters, flags, or banners on or in an owner's separate interest, except as required for the protection of public health or safety or if the posting or display would violate a local, state or federal law.

(a) For purposes of this section, a noncommercial sign, poster, flag or banner may be made of paper, cardboard, cloth, plastic, or fabric and may be posted or displayed from the yard, window, door, balcony, outside wall of the separate interest, but may not be made of lights, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping or decorative component, or include the painting of architectural surfaces.

(b) An Association may prohibit noncommercial signs and posters that are more than nine (9) square feet in size and noncommercial flags or banners that are more than fifteen (15) square feet in size.

ARTICLE X

MISCELLANEOUS

10.01 Committees. The Board of Directors shall appoint an Architectural Control Committee, as provided in the Declaration and a Nominating Committee, as provided in the Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

10.02 Assessments. Regular and special assessments levied pursuant to the Restrictions are delinquent fifteen (15) days after they become due. If an assessment is delinquent, the Association may recover all of the following:

(a) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

(b) A late charge not exceeding ten percent (10%) of the delinquent assessment or ten dollars (\$10.00), whichever is greater.

(c) Interest on all sums imposed in accordance with the section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed twelve percent (12%) interest, commencing thirty days after the assessment becomes due. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Unit.

10.03 Amendments. Prior to close of escrow on the sale of the first Unit, the Declarant may amend these Bylaws with the consent of the Department of Real Estate. After of sale of the first Unit these Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of the total voting power of the Association, which shall include a majority of the votes or written consent of Members other than the Declarant, or where the two-class voting structure is still in effect, shall include a majority of each class of Members. However the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative vote required for action to be taken under that clause.

10.04 Conflicts. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with the provisions of the Common Interest Development Act of the State of California, the provisions of said statute shall control.

IN WITNESS WHEREOF, I, the undersigned do hereby certify that I am the Incorporator of the LAKE SAN MARCOS CONDOMINIUM NUMBER 1 that I assent to the within and foregoing Bylaws, the provisions of Corporations Code Section 7134, and that I have subscribed my name to these Bylaws on this 27th day of February, 2004.

Amos W. Beedon
Incorporator

RATIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and the acting Secretary of the LAKE SAN MARCOS CONDOMINIUM NUMBER 1, a California nonprofit mutual benefit corporation.

That the foregoing Bylaws constitute the original Bylaws of said Association, as previously adopted by the Incorporator on February 27, 2004 pursuant to Corporations Code Section 7134.

That the adoption of the forgoing Bylaws by the Incorporator was ratified at a meeting of the Board of Directors of the Association held on the 27th day of February, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of February, 2004.

Secretary