

Section 3.9. Mortgagee Protection. Written notice of annual meetings, upon written request, shall also be given to any First Mortgagee either personally or by sending a copy of the notice through the mail in the manner provided in the Section entitled "Notices" of the Article "General Provisions" of the Declaration. The First Mortgagee shall have the right to attend all Association meetings through a representative who has been designated in writing that has been delivered to the Board.

ARTICLE IV.  
ELECTION OF BOARD OF DIRECTORS

Section 4.1. Number: The affairs of this Association shall be managed by a Board of five (5) directors, who need not be Members of the Association, until conversion of Class B memberships to Class A, after which time all directors must be Members.

Section 4.2. Nomination: Nomination for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors ninety (90) days prior to each annual meeting of the Members, 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.

Notwithstanding the foregoing, any Member present in person or by proxy at a meeting in which a director or directors are to be elected may place a name in nomination at the meeting prior to the vote. If the Association has 500 or more Members, the nomination requirements of California Corporations Code Section 7521 shall be satisfied.

The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communicate their qualifications and reasons for candidacy to the Members and to solicit votes, and for a reasonable opportunity for all Members

to choose among the nominees. Without authorization of the Board, no Association funds may be expended to support a nominee for director after there are more nominees than can be elected.

Section 4.3. Election: Term of Office: At the first annual meeting, the Members shall elect three (3) directors for a term of one (1) year and two (2) directors for a term of two (2) years; and at each annual meeting hereafter the Members shall elect directors for a term of two (2) years to succeed those directors whose terms have expired. If any annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their respective successors are elected.

Election to the Board of Directors shall be by secret written ballot. 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 Declaration and pursuant to the rules of cumulative voting as set forth in Corporations Code Section 7615(a), subject only to the procedural prerequisites of Corporations Code Section 7615(b). The persons receiving the largest number of votes shall be elected; provided, however, that at any election in which the Members other than Declarant do not have a sufficient percentage of the voting power of the Association to elect at least twenty percent (20%), but not less than one (1), of the directors through the accumulating of all of their votes, the persons nominated for the Board who receive the highest number of votes cast by Members other than Declarant shall be elected to the Board until twenty percent (20%), but not less than one (1) member, of the Board is elected. For purposes of this vote, the ballots shall be marked on their face to identify them as cast by Declarant or by a non-Declarant member. Thereafter the remaining directors shall be elected in accordance with normal voting procedures.

Section 4.4. Removal: The entire Board of Directors or any individual director may be removed, with or without cause, by a majority vote of the Members of each class of the Association. Notwithstanding the foregoing, unless the entire Board is removed from office, as above, 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 the director if voted cumulatively at an election at which the same total number of votes were cast and the entire Board of Directors authorized at the time of the most recent election of the director to be removed were then being elected; provided, however, that notwithstanding the foregoing, a director who was elected to office solely by the votes of the Members excluding the Declarant may be removed from office by a vote of the Members holding a majority of the voting power excluding Declarant. In the event of death or resignation of a director, his successor shall be selected by a majority of the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4.5. Vacancies: Vacancies in the Board may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office for the unexpired term of his predecessor and until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose.

A vacancy or vacancies shall be deemed to exist in case of the death or resignation of any director, or if the Members shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized or at an adjournment thereof, to elect the additional directors so provided for, or in the case Members fail at any time to elect the full number of authorized directors.

The Members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of directors.

If any director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective.

Section 4.6 Compensation: Without the prior vote or written assent of the majority of the total voting power of the Association, and the majority of votes of Members other than the Declarant, 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.

Section 4.7. Liability of Directors; Indemnification of Directors and Agents: No Director shall have any liability based upon any alleged failure to properly discharge the obligations of a director as long as such Director performs the duties of a director in a manner not expressly contrary to law and in a manner such Director believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. A Director shall be entitled to rely on information in any form prepared or presented by officers or employees of the Association whom the Director believes to be reliable and competent in the matters presented and to rely on the information and advice of other outside consultants which the Director believes to be within such person's professional or expert competence. Directors and other agents of the Association shall be indemnified to the full extent allowed by the Corporations Code without limitation.

ARTICLE V.  
MEETINGS OF DIRECTORS

Section 5.1. Regular Meetings: Regular meetings of the Board of Directors shall be held monthly at such date and hour and at such place as may be fixed from time to time by resolution of the Board. 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 each meeting shall be posted at a prominent place or places within the Property, and shall be communicated to each director not less than four (4) days prior to the meeting; provided, however, that notice of the meeting need not be given to a director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 5.2. Special Meetings: Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors. The notice shall specify the time and place of the meeting and the nature of the business to be conducted and shall be sent to all directors and posted in the manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time