

ARTICLE VI.
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 6.1. Powers: Subject to limitations of the Master Association Management Documents, the Association Management Documents, the California Corporations Code and any other applicable law or statute as to actions which must be authorized or approved by the Members and Eligible Mortgage Holders, the Board shall: (i) exercise or authorize all corporate powers and (ii) control the business and affairs of the Association. Without prejudice to such general powers but subject to the same limitations, the Board shall have power to:

(a) Take disciplinary action against any Member for a violation of any provision of the Association Management Documents in accordance with the terms of Article XI, below.

(b) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(c) Employ a manager, an independent contractor, or such other agents or employees as they deem necessary, and to prescribe their duties. Any manager, agent or employee selected prior to the first annual election shall be employed to manage or work only until the first annual election, after initial organization, at which time the continuance of the same or the selection of a new manager or agent shall be determined by the Board selected at the first annual election. In addition, the Association shall have the authority to delegate its power to committees, officers of the Association, managing agent, or employees. All contracts for professional management must be terminable by either party thereto without cause and without payment of a termination fee, upon advance written notice of not more than ninety (90) days, and shall be terminable for cause on thirty (30) days' written notice. The Board shall not enter into any contract with a third person wherein the third person will furnish goods or services for the Common Property or the Association for a

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term in excess of one (1) year, without the vote or written consent of Members representing at least a majority of voting power of the Association, except as follows:

(i) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(ii) 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.

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

(iv) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years 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.

(v) Agreements for cable television services and equipment or satellite dish television 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.

(vi) 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.

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(d) Cause to be regularly prepared and distributed to each member:

(i) A pro forma operating statement (budget) for each fiscal year which shall be distributed not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of the fiscal year containing at least the following information:

(1) 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 Section 1365.5 of the Civil Code which shall be printed in bold type and include all of the following:

(A) The current estimated replacement costs, estimated remaining life, and estimated useful life of each major 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 or replace, restore or maintain major components; and

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

(C) The percentage that accumulated cash reserves actually set aside is of the current estimate of cash reserves necessary.

(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

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repair, replace or restore any major component or to provide adequate reserves therefore.

(4) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(ii) A balance sheet as of an accounting date which shall be the last day of the month nearest in time to six (6) months from the date of closing of the first sale of a Unit to a member and an operating statement for an accounting period from the aforesaid date of first closing to the aforesaid accounting date which shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received or receivable itemized by Unit number and by the name of the person or entity assessed;

(iii) An annual report consisting of the following which shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(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 position for the fiscal year.

(4) For any fiscal year in which the gross income to the Association exceeds Seventy-five Thousand Dollars (\$75,000.00), a copy of a review of the financial statement of the Association prepared in accordance with generally accepted accounting principles by an independent public accountant licensed by the California State Board of Accountancy.

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(5) Any information required to be reported under Section 8322 of the Corporations Code of the State of California.

(iv) If the report referred to in (iii) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without independent audit or review from the books and records of the Association.

(v) In addition to financial statements, the governing body shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against members' subdivision interests.

(e) Adopt, amend and repeal the Association Rules in accordance with Section 11.1, below.

(f) Cause to be paid any taxes and assessments which are, or could become, a lien on the Common Area or Association Property.

Section 6.2. Duties: It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate 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 (1/4) of the Class A members who are entitled to vote;

(b) Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) As more fully provided in the Declaration, to:

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(i) Fix the amount of the regular assessment against each Unit at least thirty (30) days in advance of each regular assessment period;

(ii) Send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each regular assessment period; and

(iii) Record a notice of delinquent assessment pursuant to Civil Code Section 1367 and foreclose the lien against any property for which assessments are not paid within thirty (30) days after the date a Notice of Delinquent Assessment has been mailed to the Owner, or bring an action at law against the owner personally obligated to pay the same.

(d) Issue, or to cause an appropriate officer or managing agent to issue, upon demand by any Member, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on property owned by the Association as required by the Declaration;

(f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate as required by the Declaration;

(g) Appoint a paid manager responsible to the Board and delegate to such manager the authority to manage the Property.

(h) Do the following not less frequently than quarterly:

(i) Cause a current reconciliation of the Association's operating accounts to be made and review the same;

(ii) Cause a current reconciliation of the Association's reserve accounts to be made and review the same;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts;

(v) Review an income and expense statement for the Association's operating and reserve accounts.

Section 6.3. Prohibitions. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the total voting power of the Association and a majority of the votes of members other than the Declarant:

(a) Incurring aggregate capital expenditures in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year.

(b) Selling during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year.

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

(d) Filling a vacancy on the Board of Directors created by the removal of a director.

Section 6.4. Rights of First Mortgagees. The Association must provide, at its own expense, an audited statement for the

preceding fiscal year of the Association to any holder, insurer, or guarantor of any First Mortgage secured by a Unit who has submitted a written request therefor or, if such audited statement is not then completed and available, within one hundred twenty (120) days after the close of such fiscal year.

ARTICLE VII.
OFFICER AND THEIR DUTIES

Section 7.1. Enumeration of Officers: The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and chief financial officer, and such other officers as the Board may from time to time by resolution create.

Section 7.2. Election of Officers: The election of officers shall take place at the first meeting of the Board following each annual meeting of the members.

Section 7.3. Term: The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 7.4. 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.

Section 7.5. 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.

Section 7.6. Vacancies: A vacancy in any office may be filled by appointment by the Board. The Officer appointed to