

2004 AMENDED AND RESTATED

BYLAWS OF

PACIFIC SHORES AT RANCHO

SAN CLEMENTE HOMEOWNERS ASSOCIATION

An Association for a Residential Planned Development Community

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BYLAWS OF PACIFIC SHORES AT RANCHO
SAN CLEMENTE HOMEOWNERS ASSOCIATION

ARTICLE 1 - NAME; LOCATION AND APPLICABILITY

1.1 **Name.** The name of the corporation is Pacific Shores at Rancho San Clemente Homeowners Association ("Association").

1.2 **Principal Office.** The principal office of the Association is located in Orange County, California. The Board shall have the full power and authority to change the principal office of the Association from one location to another in the County of Orange, California. Any such change shall be adopted by a resolution of the Board and noted in the meeting minutes.

1.3 **Application.** These Restated Bylaws are applicable to the Association and all Owners, residents, tenants, employees, and other persons who use the facilities of the residential planned development Community known as Pacific Shores at Rancho San Clemente ("Community"), comprised of one hundred thirty (130) residential Lots and sixteen (16) Common Area Lots, located in the City of San Clemente, County of Orange, State of California, as more particularly described as follows:

Lots 1 through 130, inclusive, Lots C through R, and the following private streets: Santa Clara, Via Coco, Via Santa Maria, Calle Pastadero, Via Le Mission, Calle Ricardo, Calle Fresno, Camino San Jose, San Martin, Paseo Alba, and Via Zaragoza, all as shown on TRACT No. 12864 filed with the County Recorder of the County of Orange as per Map recorded in Book 597, Pages 35 through 42, inclusive, of Miscellaneous Maps.

1.4 **Documents Being Replaced; Approvals.** These Restated Bylaws amend and restate, in their entirety, the Bylaws of Pacific Shores at Rancho San Clemente Homeowners Association, approved June 6, 1998 ("*Original Bylaws*"). In accordance with Section 1 of Article XIII of the Original Bylaws, these Restated Bylaws have received the approval of at least a majority of the voting power of the Members.

1.5 **Definitions.** Unless otherwise specified in these Restated Bylaws, the definitions set forth in Article 1 of the Restated Declaration of Restrictions for Pacific Shores at Rancho San Clemente recorded on _____, 20__ as File/Page No. _____ of Official Records of the County Recorder of Orange County, apply to these Restated Bylaws.

1.6 **Membership Rights.** The qualifications for membership are set forth in Article 3 of the Restated Declaration and are hereby incorporated by reference.

1.7 **Continuity of Life of Association.** If the Association should be dissolved as a corporation, an unincorporated association immediately and without further action or notice shall be deemed to exist and shall succeed to all rights and duties of the Association. The affairs of such unincorporated association shall be governed by the laws of the State of California and the Governing Documents. In the event of dissolution of the Association and the formation of an unincorporated association, each Member of the Association shall have an underlying beneficial interest in all of the Association's property in direct proportion to the number of Lots owned by such Member.

1.8 **Election of Delegates to Master Association.** Members shall elect, by secret written ballot, a Delegate to act on their behalf at meetings of the Master Association as provided in the Master Declaration. Each Delegate shall be a Member of the Association and the Master Association. The Delegate shall be elected at each annual meeting of the Members or any special meeting of the Members or vote by written ballot held for such purpose using the same notice and voting procedures as for the election of Directors. Each Delegate shall hold office until such Delegate's successor has been elected or until such Delegate's death, resignation, removal or judicial adjudication of mental incompetence. The term of office of each Delegate shall be one year. The term of office of any Delegate elected to fill a vacancy created by the resignation, death or removal of such Delegate's predecessor shall be the balance of the unserved term of such Delegate's predecessor. A Delegate may be removed from office prior to the expiration of the Delegate's term of office by the vote or written petition, signed by at least a majority of a quorum of the voting power of Members.

ARTICLE 2 - MEETINGS OF MEMBERS

2.1 **Place of Meetings; Conduct.** All meetings of the Members shall be held at a place designated by the Board. This meeting place shall be within the Community or as close to it as reasonably possible. If no meeting place is designated, the meetings shall be held at the principal office of the Association. No meeting of the Members shall, unless unusual conditions exist, be held outside of Orange County, California. Meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure or such other parliamentary procedures as the Board may adopt by resolution.

2.2 **Annual Meetings.** The annual meeting of the Members shall be held in the month of November on a date and time established by the Board, provided that adjournments of such meetings for lack of quorum or otherwise may be held as soon thereafter as practical.

2.3 **Special Meetings.** Special meetings of the Members may be called for any lawful purpose by a majority of a quorum of the Board, the President of the Association,

or by a written request signed by Members representing at least five percent of the total voting power of the Association. If the special meeting is requested by the Members, it shall be held not less than thirty-five nor more than ninety days after receipt of the request by an Officer of the Association. Only that business stated in the meeting notice given pursuant to Section 2.4 of these Restated Bylaws shall be transacted at the special meeting.

2.4 Notice of Meetings. The Secretary of the Association shall give written notice of any Members' meeting to each Member in accordance with the following:

- 2.4.1 Except as otherwise provided in this Article, the notice shall be given at least ten but not more than ninety days before the meeting, by first class mail or by personal delivery.
- 2.4.2 The Board may fix, in advance, a record date or dates for the purpose of determining the Owners who are entitled to receive notice of meetings. The record date for eligibility to receive notice shall not be fixed more than ninety nor less than ten days before the date of the meeting. If no record date is fixed, all Members as of the business day preceding the day on which notice is given are entitled to receive notice of the meeting.
- 2.4.3 The notice shall be addressed to the Member at the address appearing on the books of the Association, or the address supplied by the Member to the Association for this purpose.
- 2.4.4 The notice shall state the place, date, and time of the meeting. If Directors are to be elected at the meeting, the notice, or proxy accompanying the notice, shall include the names of all those who are nominees at the time the notice is given. The notice, or proxy accompanying the notice, shall also state those matters that the Board, at the time the notice is given, intends to present for action by the Members.
- 2.4.5 In the case of a special meeting which is called by Members, pursuant to Section 2.3 of these Restated Bylaws, the notice shall be given within twenty days after receipt of the request for the meeting. If this twenty day requirement is not satisfied, the Members who called the meeting may give the notice.
- 2.4.6 Any approval of the Members required for those items specified in section 7511(f) of the Corporations Code other than unanimous approval by those entitled to vote, shall be valid only if the general nature of the matter to be voted upon was stated in the notice of meeting or any written waiver of notice.

- 2.4.7 An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary, and if so executed, shall be filed with the corporate records or made a part of the minutes of the meeting. Such affidavit shall constitute prima facie evidence of the giving of notice.

2.5 **Waiver of Notice.** Attendance by a Member or proxyholder for a Member at a meeting shall constitute a waiver of notice of that meeting, except when the Member or proxyholder objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein if that objection is expressly made at the meeting.

2.6 **Voting Rights.** Members shall have the power to exercise their voting rights subject to the following provisions:

- 2.6.1 Each Lot shall be assigned one vote. In an election of Directors, each Lot shall be assigned one vote for each position on the Board to be filled at the election.
- 2.6.2 Fractional votes shall not be allowed. When there is more than one Owner of a Lot (co-owners), all of the co-owners shall be Members, but only one of them shall be entitled to cast the single vote attributable to the Lot. Co-owners may designate in writing one of the co-owners to vote. If no such designation is made or if it is revoked, the co-owners shall decide among themselves, by majority vote, how that Lot's vote is to be cast. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for the Lot on a particular matter if a majority of the co-owners present in person or by proxy cannot agree on a vote.
- 2.6.3 If no percentage of the voting power is specified in the Governing Documents or by California law for a particular action or decision by the membership, the approval by a majority of the votes cast when a quorum is established shall be required.
- 2.6.4 The Board may fix, in advance, a record date or dates for the purpose of determining the Owners who are entitled to exercise voting rights:
- (a) The record date for eligibility to vote shall not be fixed more than sixty days before the date of the meeting. If no record

date is fixed, all Members who are otherwise eligible to vote as of the day of the meeting may vote.

- (b) The record date for eligibility to vote by written ballots shall not be fixed more than sixty days before the day on which the first written ballot is mailed or solicited. If no record date is fixed, all Members who are otherwise eligible to vote as of the day of mailing or soliciting the written ballot shall be eligible to vote.

2.6.5 A Members' voting rights may be suspended by the Board in accordance with the provisions of Section 3.14 hereinbelow.

2.7 **Quorum.** At any meeting, the presence either in person or by proxy of Members entitled to cast votes equal to at least one-third of the total voting power of the Association shall constitute a quorum for any action except as otherwise provided in the Governing Documents or by law. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum, if the action taken, other than adjournment, is approved by at least a majority of Members required to constitute a quorum.

2.8 **Adjournment for Lack of Quorum.** If a quorum is not present at a duly called meeting, a majority of those Members present in person or by proxy may adjourn the meeting to a time not less than five days nor more than thirty days from the meeting date, but no other business may be transacted. Provided that the date, time and place of the adjourned meeting is announced at the original meeting, the adjourned meeting may be held without additional written notice. If no such announcement is made, or if the selected date is changed after adjournment, notice of the time and place shall be given to Members in the manner provided in Section 2.4 of these Restated Bylaws. The quorum for any adjourned meeting shall be twenty-five percent of the total voting power.

2.9 **Adjustment of Voting Power and Quorum.** For purposes of establishing a quorum and approving an action by the membership, the total voting power of the Association shall be reduced by an amount equal to the number of any Lots for which membership voting rights are suspended as provided in the Governing Documents.

2.10 **Voting by Proxy.** 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 of the Association. A proxy shall be deemed signed if the Member's name is placed on the proxy as provided in section 5069 of the California Corporations Code, by the Member or the Member's attorney in fact. Every proxy shall be revocable and shall automatically cease upon conveyance of its maker's membership, or upon receipt of written notice by the Secretary of the maker's death or judicially declared incapacity. The maker of a proxy may revoke it by delivering a written revocation to the Association, by executing a subsequent proxy and presenting it to the meeting, or by attending any meeting and voting in person.

Any revocable proxy, even though in effect and otherwise valid, may not be used to cast a vote on the matters specified in section 7613(g) of the Corporations Code unless it sets forth the general nature of the matter to be voted upon.

2.11 Voting by Written Ballot. Any action that may be taken at a meeting of the Members, except for the election of Directors by cumulative voting, may be taken without a meeting provided the following ballot requirements are satisfied:

- 2.11.1 The Association shall distribute a written ballot to every Member entitled to vote on the matter as provided in Section 2.6.4. The ballot shall be solicited in the same manner as provided in Section 2.4 of these Restated Bylaws for the giving of notice of meetings of Members. In addition to using a written paper ballot, the Association may establish reasonable procedures for use of online voting for Members who choose this optional method of voting.
- 2.11.2 The ballot shall (1) set forth all items to be voted upon; (2) provide an opportunity to specify approval or disapproval of any proposal; (3) provide a reasonable time within which to return the ballot; (4) indicate the number of responses needed to meet the quorum requirement; and (5) state the percentage of approvals necessary to pass the measure submitted.
- 2.11.3 The proposed action shall be considered approved if:
 - (a) The number of votes cast by ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action; and
 - (b) The number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of ballots received in response to the ballot solicitation.
- 2.11.4 Once a written ballot is submitted to the Association, the Member submitting the ballot may not revoke it.
- 2.11.5 Any deadline stated for return of the ballots may be extended for successive reasonable periods by the Board. Notice of any extension must be sent to the Members within thirty days of the previously noticed deadline date.

ARTICLE 3 - BOARD OF DIRECTORS

3.1 **Number; Qualification.** The affairs of the Association shall be managed and its duties and obligations performed by an elected Board of Directors, consisting of five persons. Members of the Board must be Members of the Association.

3.2 **Nomination.** The Board of Directors shall establish reasonable nomination procedures for election to the Board.

3.3 **Qualifications of Candidates for Election.** Candidates for election must be Members in good standing. Good standing shall mean that all assessments must be current and the candidate's membership must not be subject to any suspension of membership rights arising out of any violations of the Association's Governing Documents.

3.4 **Election.** At each annual meeting of the Association, the Members shall fill, by election, all positions of Directors whose terms are due to expire. However, if an annual meeting is not held or does not include an election, the election may be held at a special meeting of Members called for that purpose. Voting for Directors shall be by secret written ballot. However, if the number of candidates equals or is less than the number of positions to be filled at the election, Members may elect the Directors by acclamation. At an election, the Member or the Member's proxyholder may give a single candidate a number of votes equal to the number of Directors to be elected multiplied by the number of Lots owned by the Member, or may distribute the Member's cumulated votes among any two or more candidates as the Member desires. The persons receiving the highest number of votes shall be elected. In the event of a tie vote between candidates for the fifth position on the Board, a run-off election may be conducted by written ballot pursuant to Section 2.11 herein.

3.5 **Term.** The terms of office of all members of the Board shall be staggered two year terms, with two terms expiring in even-numbered years, and three terms expiring in odd-numbered years. There shall be no limit to the number of consecutive terms to which a Director may be reelected. Each Director shall hold office until the election of his or her successor or until the Director's death, resignation or removal.

3.6 **Removal.** Directors may be removed as follows:

3.6.1 The Board may declare vacant the office of a Director on the occurrence of any of the following events:

- (a) The Director is declared of unsound mind by a final order of court.
- (b) The Director is convicted of a felony.
- (c) The Director has failed to attend three consecutive regular meetings of the Board.

(d) The Director ceases to be an Association Member.

3.6.2 One or more Directors may be removed prior to the expiration of their terms, without cause, at an annual or special meeting of the Members. Any removal without cause shall be approved by the vote of Members representing a majority of a quorum of the membership. Notwithstanding the foregoing, unless the entire Board is removed from office by the vote of the Members, an individual Director shall not be removed prior to the expiration of his or her term of office except in compliance with Corporations Code section 7222 or any successor statute.

3.7 **Resignation of Directors.** Any Director may resign at any time by giving written notice to the Board, the President, or the Secretary, or by giving verbal notice at a Board meeting such that the resignation is recorded in the minutes of the meeting. Such resignation shall take effect on the date of receipt of such notice, or at any time later specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.8 **Return of Association Materials.** Upon resignation, removal or expiration of the Directors' terms, Directors shall return to the Association those Association materials in their possession.

3.9 **Filling Vacancies.** The remaining Directors shall fill any vacancy on the Board caused by the death, removal or resignation of a Director unless the vacancy is created by the removal of a Director by the Members. The Members shall vote to fill any vacancy on the Board created by the removal of a Director by the Members. A successor Director shall serve for the unexpired term of the Director he or she replaced. If the Board accepts the resignation of a Director which is scheduled to take effect at a future date, the Board may appoint a successor to take office when the resignation becomes effective, and the resigning Director may participate in the appointment of a successor.

3.10 **Compensation.** No Director shall receive any compensation for any service he or she may render to the Association; provided, however, that a Director may be reimbursed for actual out-of-pocket expenses incurred by the Director in the performance of his or her duties. Any expenses for travel outside of Orange County must have prior approval of the Board.

3.11 **Powers and Duties.** The Board shall exercise for the Association all powers and duties vested in or delegated to the Board or the Association by the Governing Documents and applicable law. Said powers and duties shall include, but not be limited to, the following:

3.11.1 Formulating Rules and Regulations for the use and operation of the Lots, Dwellings, Common Area, common facilities, and facilities

owned or controlled by the Association pursuant to Section 3.5.2 of the Restated Declaration.

- 3.11.2 Enforcing the applicable provisions of the Governing Documents and any other instruments governing the ownership, management, and control of the Community.
- 3.11.3 Initiating and executing disciplinary proceedings against Members for violations of provisions of the Governing Documents in accordance with procedures set forth in Section 3.14 herein.
- 3.11.4 Paying taxes and assessments that are, or could become, a lien on all or a portion of the Common Area.
- 3.11.5 Fixing and establishing the fiscal year for the Association, including the power to modify the fiscal year.
- 3.11.6 Contracting for casualty, liability, and other insurance on behalf of the Association.
- 3.11.7 Subject to the limitations set forth in Section 3.12 herein, contracting for goods and services for the Common Area, and operation of the Association, and borrowing money, incurring indebtedness and executing promissory notes or other evidences of debt for the Association.
- 3.11.8 Creating committees pursuant to resolution adopted by a majority of the Board; provided that if a committee will exercise any power or authority of the Board, it shall consist of two or more Directors, and as many other Persons as the Board may designate, to serve at the pleasure of the Board. No Directors need serve on any committee which does not exercise any power or authority of the Board (e.g., social committees or the Architectural Committee given its own powers by the Restated Declaration). Committee members must be Association Members.
- 3.11.9 Delegating its authority, duties, and responsibilities to its Officers, employees, committees, or agents, including a community association manager. The term of any agreement with a manager shall not exceed one year, renewable by agreement of the parties for successive one year periods, and shall provide for termination by either party for cause with no more than thirty days' written notice, or without cause and without payment of a termination fee or penalty upon no more than ninety days' written notice.

- 3.11.10 Authorizing the withdrawal of monies from the Association's reserve accounts, upon the signatures of two Directors.
- 3.11.11 Entering any Lot to perform necessary construction, maintenance, or emergency repair work for the benefit of the Common Area or the Association.
- 3.11.12 Filling vacancies on the Board, except for a vacancy created by the removal of a Director by the Members.
- 3.11.13 Extending the time for return of ballots when an action is taken without a meeting pursuant to Section 2.11.5 herein.
- 3.11.14 Providing any Owner with the following documents within ten days of the mailing or delivery of a written request therefor and receipt of the costs to prepare and reproduce said documents:
 - (a) A copy of the Governing Documents.
 - (b) A copy of the most recent financial statement.
 - (c) A written statement from an authorized representative of the Association specifying (i) the amount of the Association's current assessments and fees; (ii) the amount of any assessments levied on the Owner's Lot that are unpaid as of the date of the statement; and (iii) the amount of late charges, interest, and costs of collection that, as of the date of the statement, are or may be made a lien on the Owner's Lot.
 - (d) A statement noting any change in the Association's current assessments and fees which have been approved by the Board, but which have not become due and payable as of the date disclosure is provided pursuant to this Section.
 - (e) A copy of any notice previously sent to the Owner that sets forth any alleged violations of the Governing Documents that remain unresolved at the time of the request. The notice shall not be deemed a waiver of the Association's right to enforce the Governing Documents against the Owner or the prospective purchaser of the Lot with respect to any violation. This subsection shall not be construed to require the Association to inspect an Owner's Lot.

3.12 Limitations on Powers. Notwithstanding the provisions of Section 3.11, 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:

- 3.12.1 Entering into a contract with a third person under which the third person will furnish goods or services for the Common Area or the Association for a term longer than one year with the following exceptions:
- (a) A contract with a public utility if the rates charged are regulated by the Public Utilities Commission, provided that the term shall not exceed the shortest term for which the utility will contract at the regulated rate.
 - (b) Prepaid casualty and liability insurance of not more than three years duration, provided that the policy provides for short rate cancellation by the insured.
 - (c) Lease agreements for laundry room fixtures and equipment not exceeding five years in duration.
 - (d) Agreements for cable television services and equipment or other similar television services and equipment not exceeding five years in duration.
 - (e) Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation, and services not exceeding five years in duration.
 - (f) A contract for a term not exceeding three years that is terminable by the Association after no longer than one year without cause, penalty, or other obligation upon thirty days' written notice of termination to the other party.
- 3.12.2 Selling during any fiscal year real or personal property of the Association having an aggregate fair market value in excess of five percent of the budgeted gross expenses of the Association for that fiscal year. This provision does not apply to the sale of any Lot owned by the Association.
- 3.12.3 Borrowing money, incurring indebtedness and executing promissory notes or other evidences of debt for the Association in excess of five percent of the budgeted gross expenses of the Association for that fiscal year.

3.13 Financial Documentation; Preparation, Reporting and Review Responsibilities. With regard to the preparation, reporting and review of the Association's financial documentation, the Board shall have the following responsibilities:

- 3.13.1 Preparing a pro forma operating budget for each fiscal year, and distributing a copy thereof to each Owner not less than forty-five and not more than sixty days prior to the beginning of the fiscal year. The budget shall comply with California Civil Code section 1365 or any successor statute.

In lieu of the distribution of the pro forma budget, the Board may elect to distribute a summary of the budget to each Owner with a written notice that the budget is available at the business office of the Association or designated location and that copies will be provided upon written request and at the expense of the Association. The Association shall provide the copy to the Owner within five working days of the receipt of the Owner's written request.

- 3.13.2 Preparing and distributing an annual report, within one hundred twenty days after the close of each fiscal year, consisting of the following:

- (a) A balance sheet as of the end of the fiscal year.
- (b) An operating (income) statement for the fiscal year.
- (c) A statement of changes in financial position for the fiscal year.
- (d) For any fiscal year in which the gross income to the Association exceeds \$75,000.00, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If this report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized Officer of the Association that the statement was prepared without independent audit or review from the books and records of the Association.

- 3.13.3 Preparing and distributing to the Owners, within sixty days before the beginning of each fiscal year, the written notice regarding assessments and foreclosure described in California Civil Code section 1365.1(b).

- 3.13.4 Causing to be conducted, at least once every three years, a study of the reserve account requirements of the Community. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

As used herein, the term "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

- 3.13.5 Reviewing the following:

- (a) A current reconciliation of the operating and reserve accounts of the Association on at least a quarterly basis.
- (b) The actual reserve revenues and expenses for the current year compared to the budget for the current year on at least a quarterly basis.
- (c) An income and expense statement for the operating and reserve accounts of the Association on at least a quarterly basis.
- (d) The most current account statements prepared by the financial institution where the Association has its operating and reserve accounts on at least a quarterly basis.

3.14 ***Disciplinary Actions Against Owners.*** In connection with the general power of enforcement, the Association may discipline Owners for violation of any of the provisions of the Governing Documents by one or more of the following: (1) suspending the Member's membership rights, including the Member's voting rights, rights to run for a position on the Board, and right to use any Common Area recreational facilities, (2) imposing monetary fines, and (3) recording of a notice of noncompliance encumbering the Lot of the Owner, if such is permitted by law, subject to the following limitations:

- 3.14.1 The accused Owner shall be given at least ten days' prior written notice of the intention of the Board to meet and consider imposition of a suspension, monetary fine, notice of noncompliance or any combination of these, with respect to any alleged violation.
- 3.14.2 In any matter relating to the disciplining of a Member, the Board shall meet in executive session if requested by that Member, or upon the Board's own decision. The Member subject to discipline

shall be given an opportunity to be heard, orally or in writing, at the Member's discretion during that portion of the executive session.

- 3.14.3 Notwithstanding the foregoing, under circumstances involving conduct or a condition of the Lot that constitutes (a) an immediate and unreasonable infringement of, or threat to, the health, safety or quiet enjoyment of neighboring Owners; (b) a traffic or fire hazard; or (c) a threat of material damage to, or contamination, or destruction of, the Common Area or other Lots, the Board or its agents may undertake immediate corrective action and conduct a hearing as soon thereafter as reasonably possible, if either (1) requested by the offending Owner within five days following the Association's notification, or (2) on its own initiative.
- 3.14.4 The amount of any monetary penalties shall be established from time to time by the Board, and a schedule thereof shall be distributed to the Members by personal delivery or first class mail. Distribution of additional schedules is not required unless there are any changes to an existing schedule.
- 3.14.5 If the Board imposes discipline on a Member, the Board shall provide notification of the disciplinary action by either personal delivery or first-class mail to the Member within fifteen days following the action.
- 3.14.6 Any Owner's membership privileges may be suspended (a) for up to thirty days for any violation of the Governing Documents, and (b) during any period of time that the Owner is delinquent in the payment of assessments. Suspension of membership privileges shall include suspension of the right of a Member to vote at meetings of the Association, the right to run for a position on the Board, and the right to use any Common Area recreational facilities. Any such suspension shall not include suspension of the right of a sitting Board member to continue serving as a Board member.
- 3.14.7 Any notice of noncompliance shall identify the subject Lot, describe the nonconforming use, and specify the provision of the Governing Documents that is being violated. Upon the elimination of any nonconforming use, the Association shall execute and record a document, which shall reference any previously recorded notice of noncompliance, rescind said notice and confirm that the Lot is in compliance with all applicable Governing Documents provisions referenced in the notice of noncompliance.

- 3.14.8 Except as provided in Article 4 of the Restated Declaration relating to foreclosure for failure to pay assessments, or as a result of the judgment of a court or a decision arising out of arbitration, the Association shall in no way abridge the right of any Owner to the full use and enjoyment of his or her Lot.

ARTICLE 4 - MEETINGS OF DIRECTORS

4.1 **Regular Meetings.** Regular meetings of the Board of Directors shall be held monthly at a time and place fixed by resolution of the Board. The meeting place shall ordinarily be within the Community unless, in the judgment of the Board, a larger meeting room is required than exists within the Community. Any larger meeting room selected by the Board shall be as close as possible to the Community.

4.2 **Special Meetings.** Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by any two Directors other than the President. The meeting notice shall specify the time and place of the meeting and the nature of any special business to be considered.

4.3 **Meeting Notice to Board Members.** Regular meetings of the Board, described in Section 4.1 herein, may be held without notice to Board members if the time and place of the meetings are fixed by the Board. Regular meetings, if the time and place are not fixed by the Board, and special meetings of the Board shall be held upon four (4) days' notice by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means to Board members. Notice need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

4.4 **Organizational Meeting.** Immediately after the annual meeting described in Section 2.2 herein, or as soon thereafter as reasonably practicable, the Board shall meet to elect the Officers of the Association and conduct any other business of the Association as the Board, in its discretion, shall determine is necessary.

4.5 **Emergency Meetings.** An emergency meeting of the Board may be called by the President, or by any two Board members if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required herein.

4.6 **Executive Session.** The Board may, with the approval of a majority of a quorum of the Board, adjourn a meeting and reconvene in executive session to meet with its legal counsel, or discuss and vote upon (a) litigation in which the Association is or may become involved, (b) matters that relate to the formation of contracts with third parties, (c) personnel matters, (d) Member disciplinary matters, (e) orders of business of a similar nature, and (f) to meet with a Member, upon the Member's request, regarding the Member's payment of assessments in compliance with Civil Code section 1367.1. The nature of any and all business to be considered in executive session shall first be announced in open session. In the event the executive session does not follow an open session, the Board may conduct an executive session if the nature of any and all business considered in such executive session is announced at the next regularly scheduled Board meeting. Nothing herein contained shall be construed to obligate the Board to first call an open meeting before meeting in executive session. An executive session which does not follow an open meeting may be called and noticed in the same manner as a special meeting or as an emergency meeting pursuant to Section 4.5 herein if required by the circumstances. Any matter discussed in executive session shall be generally noted in the Board minutes of the next meeting of the Board of Directors which is not an executive session.

4.7 **Quorum.** A majority of the number of the Directors then in office, so long as there is more than one such Director, shall constitute a quorum. If a quorum is present, the decision by a majority of the Directors present, excluding abstentions, shall be the act of the Board. Board members shall be considered present and may participate in a Board meeting through use of a conference telephone as long as all Board members participating in the meeting are able to hear one another.

4.8 **Adjournment.** A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four hours, notice of the adjournment shall be given, prior to the time of the adjourned meeting, to the Directors who were not present at the time of the adjournment.

4.9 **Owner Attendance at Board Meetings; Notice.** Any Member of the Association may attend meetings of the Board except when the Board adjourns to executive session as provided in Section 4.6 herein. Members who are not on the Board may speak at any meeting, except executive sessions, subject to reasonable limitations established by the Board of Directors. Notice of the time and place of a Board meeting, except for emergency meetings and executive sessions, shall be communicated to Members not less than four days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the Common Area, by mail, by delivery to all Lots in the Community, or by newsletter or similar means of communication.

4.10 **Action Without a Meeting.** Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the

same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the meetings of the Board.

4.11 **Meeting Minutes; Availability to Owners.** The Board shall keep accurate written minutes of its meetings, and shall retain them in the permanent records of the Association. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any Board meeting, other than executive session, shall be available to Members within thirty days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement for the costs in making that distribution. Members shall be notified in writing at the time that the budget is distributed, or at the time of any general mailing to the entire membership, of their right to have copies of the minutes of meetings of the Board, and how and where those minutes may be obtained.

ARTICLE 5 - OFFICERS

5.1 **Enumeration of Officers.** The Officers of this Association shall be a President, a Vice-President, a Secretary, and a Treasurer. The Board may appoint such additional Officers as it may, in its sole discretion, determine necessary or desirable. Any number of offices may be held by the same person except for the offices of (a) President and Treasurer, and (b) President and Secretary. Officers must be Board members.

5.2 **Appointment and Term.** The Officers shall be elected annually by the Board. Any vacancies shall be filled by the Board. Each Officer shall hold his or her office at the pleasure of the Board.

5.3 **Duties.** Unless otherwise delegated by the Board as provided in Section 5.4 herein, the duties of each Officer shall be as follows:

5.3.1 The President shall:

- (a) Preside over all meetings of the Members and of the Board.
- (b) Sign as President all deeds, contracts, and other written instruments that have been approved by the Board, unless the Board, by duly adopted resolution, authorizes the signature of a lesser Officer, or other person or entity.
- (c) Call meetings of the Board in accordance with any rules and notice requirements imposed by the Board and the Governing Documents.

- (d) Have, subject to the approval of the Board, general supervision, direction, and control of the affairs of the Association.
- (e) Discharge any other duties required of him or her by the Board.

5.3.2 The Vice-President shall:

- (a) Act in the place and in the stead of the President in the event of the President's absence, inability, or refusal to act.
- (b) Exercise and discharge any other duties required of the Vice President by the Board.

5.3.3 The Secretary shall:

- (a) Keep a written record of all Membership and Board meetings.
- (b) Serve all required notices of meetings of the Board and the Members.
- (c) Keep current records showing the names and addresses of all Members.
- (d) Sign as Secretary all deeds, contracts, and other written instruments that have been approved by the Board, if the instruments require a second Association signature and the Board has not passed a resolution authorizing another Officer to sign in the place and stead of the Secretary.

5.3.4 The Treasurer shall:

- (a) Receive and deposit all of the funds of the Association in any bank or banks selected by the Board.
- (b) Be responsible for and supervise the maintenance of books and records to account for Association funds and other Association assets.
- (c) Disburse and withdraw Association funds in the manner specified by the Board.
- (d) Prepare and distribute the financial statements for the Association required by the Governing Documents.

5.4 **Delegation.** With Board approval, an Officer may delegate his or her powers and duties to any committee, employee or agent of the Association, including, but not limited to, a community association manager.

5.5 **Resignation and Removal.** The Board may remove any Officer from office either with or without cause. An Officer may resign at any time by giving written or verbal notice to the Board, the President or the Secretary. The resignation shall take effect on the date of receipt of the notice or at any later time specified in the notice. Unless otherwise specified in the notice, acceptance of the resignation by the Board shall not be necessary to make it effective.

5.6 **Return of Association Materials.** Upon resignation, removal or expiration of the Officers' terms, Officers shall return to the Association those Association materials in their possession.

5.7 **Compensation.** An Officer shall not receive any compensation for any service he or she may render to the Association; provided, however, that any Officer may be reimbursed for actual out-of-pocket expenses incurred by the Officer in the performance of his or her duties. Any expenses for travel outside of Orange County must have prior approval of the Board.

5.8 **Limitation of Powers.** No Officer may enter into any contract or incur any debt or other obligation for the Association without authorization of the Board of Directors.

ARTICLE 6 - BOOKS AND RECORDS; INSPECTION RIGHTS

6.1 **Required Books and Records.** The Association shall maintain at its principal office:

- 6.1.1 Copies of the Governing Documents as last amended.
- 6.1.2 Adequate and correct books and records of account.
- 6.1.3 Written minutes of the proceedings of its Members, of its Board, and of committees of its Board.
- 6.1.4 A membership register containing each Member's name, mailing address and voting rights.

6.2 **Member Inspection of Accounting Records and Minutes.** In accordance with Corporations Code section 8333 and Civil Code section 1365.2, the accounting books and records, Rules and Regulations, and minutes of proceedings of the Members, the Board and its committees, with the exception of minutes of executive meetings, shall be open to inspection and copying upon the written demand on the Association by any

Member at any reasonable time, for a purpose reasonably related to such Member's interests as a Member. Members may not inspect the minutes of executive meetings, primary work product such as cancelled checks and invoices, upon which the Association's books and records of account are based, Association contracts, information related to disciplinary matters, individual Lot files, or any other records except those specifically allowed herein or as allowed by the Board or by law. The Association may withhold or redact information if the release of the information is reasonably likely to lead to fraud in connection with the Association or identity theft. Information that is privileged by law may also be withheld or redacted.

6.3 Member Inspection of Membership Register. Subject to Section 6.4 and applicable law, Members may obtain copies of the membership register within ten days upon a written demand to the Association and payment of a reasonable charge. The demand shall state the purpose for which the list is requested.

6.4 Denial of Inspection Request. In accordance with section 8338 of the Corporations Code, the membership register is a corporate asset. The Association may deny a Member access to the membership register, including copies thereof, where the Association reasonably believes that the information will be used for a purpose not reasonably related to the Member's interest as a Member, or where the Association provides a reasonable alternative method of achieving the purpose identified in the written demand from the Member in accordance with section 8330(c) of the Corporations Code.

6.5 Director Inspection of All Association Records. Subject to any limitations imposed by law, every Director shall have the right to inspect all Association records and the physical properties owned or controlled by the Association at any reasonable time as provided by section 8334 of the Corporations Code.

6.6 Removal of Records. No Member or Director may remove the Association's copies of the Governing Documents, books and records of account, minutes, the membership register, or other records or documents from the Association's office or designated depository without the prior consent of the Board.

ARTICLE 7 - NONLIABILITY AND INDEMNIFICATION

7.1 Limitation on Liability of Association's Directors and Officers. No Directors, Officers, committee members, or agents of the Association (collectively and individually referred to as the "Released Party") shall be responsible to any Owner, any member of an Owner's family, any of the Owner's tenants, guests, servants, employees, licensees, invitees, or any other person for:

7.1.1 Any error or omission in the discharge of their duties and responsibilities or for their failure to provide any service required by the Governing Documents, provided that such Released Party has,

upon the basis of such information as may be possessed by the Released Party, acted in good faith, in a manner that such person 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. Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget, the decision whether to purchase insurance, the funding of Association capital replacement and reserve accounts, repair and maintenance of Common Areas, and enforcement of the Governing Documents.

- 7.1.2 Any loss or damage suffered by reason of theft or otherwise of any article, vehicle or other item of personal property which may be stored by such Owner or other person within any Lot or the Common Area or for any injury to or death of any person or loss or damage to the property of any person caused by fire, explosion, the elements or any other Owner or person within the Community, or by any other cause, unless the same is attributable to his or her own willful or wanton act or gross negligence. It is the intent of this Section to provide volunteer Directors and Officers with protection from liability to the full extent permitted by California Civil Code section 1365.7, or comparable superseding statute, and to the extent this provision is inconsistent with said section, the Civil Code shall prevail.

7.2 **Indemnification of Association.** Each Owner shall be liable to the Association for any damage to the Common Areas caused by the negligence or willful misconduct of the Owner or his or her family, guests, invitees or lessees. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring or originating within any Lot owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose gross negligence or willful misconduct caused or contributed to the injury or damage. This Section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this Section.

7.3 **Indemnification by Association of Directors, Officers, Employees and Other Agents.** To the fullest extent permitted by law, the Association shall indemnify its Directors, Officers, committee members, employees, and other agents described in Corporations Code section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in Corporations Code section 7237 and including an action by or in the right of the Association, by reason of the fact that such person is or was a person described by that

section. "Expenses," as used in this Section, shall have the same meaning as in Corporations Code section 7237(a).

7.4 Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code section 7237(e), whether the applicable standard of conduct set forth in Corporations Code section 7237(b) or section 7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code section 7237(e) whether the applicable standard of conduct set forth in Corporations Code section 7237(b) or section 7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

7.5 Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a Director, Officer, employee or agent seeking indemnification under Sections 7.2 and 7.3 of this Article in defending any proceeding covered by those Sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

7.6 Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its Directors, Officers, committee members, employees or other agents against other liability asserted against or incurred by any Director, Officer, committee member, employee or agent in such capacity or arising out of the Director's, Officer's, committee member's, employee's or agent's status as such.

ARTICLE 8 - AMENDMENTS

These Bylaws may be amended by the vote or written consent of a majority of the voting power of the Association or as otherwise provided in Article 14 of the Restated Declaration.

CERTIFICATE OF SECRETARY
OF
PACIFIC SHORES AT RANCHO SAN CLEMENTE
HOMEOWNERS ASSOCIATION

a California Nonprofit
Mutual Benefit Corporation

I, the undersigned, do hereby certify that I am the duly elected Secretary of the Pacific Shores at Rancho San Clemente Homeowners Association, a California corporation. The foregoing Amended and Restated Bylaws of said Association constitute the fully amended and restated Bylaws as approved by the membership of the Association.

DATED: _____, 20____.

Secretary