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 BYLAWS OF  
 RAINBOW GLEN HOMEOWNERS' ASSOCIATION, INC.  
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION

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BYLAWS  
OF  
RAINBOW GLEN HOMEOWNERS' ASSOCIATION, INC.  
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION

ARTICLE I

NAME AND LOCATION

Section 1.01.                      Name.

The name of this corporation is Rainbow Glen Homeowners' Association, Inc., a California nonprofit mutual benefit corporation and is hereinafter referred to as the "Association."

Section 1.02.                      Location.

The Association shall have its principal office at the planned development project site, located at Rainbow Glen Drive and Sierra Highway, in the County of Los Angeles, State of California, or as close thereto as practicable as the Board may determine or as the affairs of the Association may require from time to time.

ARTICLE II

DEFINITIONS

Section 2.01.                      Declaration.

"Declaration," shall mean the Declaration Establishing a Plan for Planned Development Ownership for Rainbow Glen, recorded on the \_\_\_\_\_ day of \_\_\_\_\_, 198 , as Instrument No. \_\_\_\_\_ in the Office of the County Recorder of Los Angeles County, as the same may be amended, supplemented or modified.

Section 2.02.                      Other Definitions.

Each and every definition set forth under Article I of said Declaration shall have the same meaning herein as therein and each and every such definition is incorporated herein by reference thereto.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 3.01.                      Membership.

The qualifications for membership, the classes of membership and the voting rights of members shall be as set forth under Article IV of the Declaration, all of which provisions are incorporated herein by reference.

Section 3.02.

Suspension of Membership.

The voting rights and rights to use and enjoy the Common Area of members, their families and guests may be suspended by action of the Board during any period when assessments owed by members remain unpaid and delinquent and for failure by members to comply with the provisions of the Declaration, these Bylaws, and the Association Rules and Regulations, subject to the notice and hearing provisions set forth under Article IV of the Declaration.

ARTICLE IV

MEETINGS OF MEMBERS

Section 4.01.

Place of Meetings.

All meetings of the members, annual and special, shall be held at a place within the project as designated by the Board, provided that if there is not an available or appropriate place within the project, the Board shall designate a meeting place as close as possible to the project but in no event outside the County unless unusual conditions exist. In the absence of any designation, the meetings of members shall be held at the principal office of the Association.

Section 4.02.

Annual Meetings.

The first annual meeting of members of the Association shall be held within 45 days after the closing of the sale of the lot that represents the fifty-first (51st) percentile interest authorized for sale under the first Final Subdivision Public Report issued for the project by the California Department of Real Estate, but in no case later than six (6) months after the closing and recording of the sale of the first lot. Thereafter, the annual meeting of the members of the Association shall be held each year on the Wednesday immediately preceding the anniversary date of the first annual meeting at 7:30 o'clock P.M. or at such other date or time as may be fixed by the Board but in no event shall an annual meeting be held less than once each calendar year. If the scheduled date of the annual meeting falls on a legal holiday, the meeting shall be held at the same time on the next business day.

Section 4.03.

Special Meetings.

A special meeting of the members of the Association shall be promptly scheduled by the Board upon: (i) the vote by the majority of the Board itself; (ii) a request by the President; or (iii) written request for a special meeting signed by members representing at least five percent (5%) of the total voting power of the Association. If a special meeting is

requested by any person other than the Board, the request shall specify the time, date, place and general nature of the business to be transacted and shall be delivered personally or by mail (postage prepaid) to an officer of the Board. The officer receiving the request that a special meeting be scheduled shall notify the members in accordance with the provisions of Section 4.04. Nothing herein shall be construed as limiting or affecting the time when a special meeting of members may be scheduled by action of the Board.

Section 4.04.

Notice of Meetings.

Notice of all members' meeting, annual or special, shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each member and to any mortgagee who has requested in writing to receive such notice. Any mortgagee, or its designated representative, shall be entitled to attend any such meeting, but shall not be entitled to vote at the meeting. The notice shall be given personally, or by first-class, registered, or certified mail addressed to the member or mortgagee at the address of such member or mortgagee appearing on the books of the Association or given by the member or mortgagee to the Association for purpose of notice. If no address appears or is given for any member, notice may be given at the Association's principal office or by publication at least once in a newspaper of general circulation.

The notice shall state the place, date and time of the meeting. If directors are to be elected at the meeting, the notice shall include the names of all those who are nominees at the time notice is given. In the case of a special meeting, the notice shall state the general nature of the business to be transacted and no other business may be transacted. In the case of the annual meeting, the notice shall state those matters that the Board intends at the time the notice is given, to present to the members for action, but any proper matter may be presented at the meeting for action subject to the special notice requirements described in Section 4.05. of these Bylaws.

Section 4.05.

Special Notice Requirements.

Approval by the members of any of the following proposals, other than by unanimous approval of those members entitled to vote, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (i) removing a director without cause;
- (ii) filling vacancies on the Board;
- (iii) amending the Articles;

(iv) approving a contract or transaction between the Association and one or more directors, or between the Association and any entity in which a director has a material financial interest;

(v) electing to wind up and dissolve the Association; or

(vi) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Section 4.06.

Waiver of Notice or Consent.

The transactions of any meeting of members, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum is present either in person or by proxy, and (ii) either before or after the meeting, each member entitled to vote, not present in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 4.05 of these Bylaws, the waiver of notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a member at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 4.07.

Proof of Membership.

No person shall exercise the rights of membership in the Association until satisfactory proof of membership has been furnished the Association. Such proof may consist of either a duly-executed and acknowledged grant deed or title insurance policy showing that the person has an ownership interest in a lot that would entitle the person to membership in the Association as provided in the Declaration. Such deed or policy shall be deemed conclusive proof of the person's

membership in the absence of a conflicting claim based on a later deed or policy.

Section 4.08.            Quorum.

The presence either in person or by proxy, at any meeting, of members entitled to cast fifty-one percent (51%) of the total voting power of the Association (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting), shall constitute a quorum for any action except as otherwise provided in the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the members entitled to vote thereat shall have power to adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days later, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

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 twenty-five percent (25%) of the total voting power of the Association remains present in person and/or by proxy. 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 regular meetings.

Section 4.09.            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 before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot, or upon receipt of written notice by the Secretary of the Board of the death or judicially declared incompetence of a member prior to the counting of the vote, or upon the expiration of eleven (11) months from the date of the proxy. In addition, voting by proxy shall comply with any other applicable requirements of California Corporation Code Sections 7514 and 7613.

Section 4.10.            Order of Business.

The order of business of all meetings of the members shall be as follows:

- (i) roll call;
- (ii) proof of notice of meeting or waiver of notice;

- meeting;
- (iii) reading of minutes of preceding
  - (iv) reports of Board and officers;
  - (v) election of directors, if any are to be
  - (vi) unfinished business; and
  - (vii) new business.
- elected;

Section 4.11.            Parliamentary Procedure.

All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

Section 4.12.            Action Without Meeting.

Any action required or permitted to be taken by the members (except the election of directors) may be taken without a meeting if all the members consent in writing to the action. The written consent shall have the same force and effect as the unanimous vote of the members. The written consents shall be filed with the minutes of the proceedings of the members.

ARTICLE V

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 5.01.            Number.

The affairs of this Association shall be managed by a Board of five (5) directors, all of whom must be members of the Association, or an officer, director, employee or agent of the Declarant. The initial directors shall be appointed by the Declarant and shall hold office until the first meeting of the members, and until their successors are elected.

Section 5.02.            Term of Office.

At the first meeting of the Association the members shall elect five (5) directors for a term of one (1) year, and at each annual meeting thereafter the members shall elect five (5) directors for a term of one (1) year. Unless vacated sooner, each director shall hold office until the director's term expires and a successor is elected.

Section 5.03.            Removal; Vacancies.

Unless the entire Board is removed from office by the vote of Association members, an individual director shall not be removed prior to the expiration of his

term of office if the 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 of directors were then being elected. A director who was elected solely by the votes of members other than Declarant may be removed from office prior to the expiration of his term only by the votes of a majority of members other than Declarant. In the event of death or resignation of a director, his successor shall be filled by approval of the Board at a duly held meeting 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. A vacancy created by removal of a director can be filled only by election of the members.

Section 5.04.                      Compensation.

No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses, if reasonable, that are incurred in the performance of his or her duties.

Section 5.05.                      Indemnification of Corporate Agents.

The Association shall indemnify any present or former director, officer, employee, or other agent of the Association to the fullest extent authorized under California Corporations Code Section 7237, or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was entitled to indemnification under this provision.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 6.01.                      Nomination.

Except for the initial directors selected by the Declarant, nomination for election to the Board of Directors may be made by a Nominating Committee. Notice to the members of the meeting shall include the names of all those who have been 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 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 not less than thirty (30) 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. All candidates shall have reasonable opportunity to communicate their qualifications to members and to solicit votes.

Section 6.02.            Election.

The first election of the Board shall be conducted at the first 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 Declaration. The persons receiving the largest number of votes shall be elected. All members shall be entitled to cumulate their votes for one (1) or more candidates for the Board, if the candidate's name has been placed in nomination prior to voting. Under cumulative voting, each owner, either in person or by proxy, may give a single candidate the number of votes equal to the number of directors to be elected multiplied by the number of votes the owner is entitled to exercise under the Declaration, or the owner may distribute these cumulated votes among any two or more candidates as the owner desires. The candidates receiving the highest number of votes up to the number of Board members to be elected shall be elected. Voting for directors shall be by secret written ballot.

Section 6.03.            Specially Elected Directors.

As long as a majority of the voting power of the Association resides in the Declarant, or as long as there are two outstanding classes of membership in the Association, no less than twenty percent (20%) of the directors shall be elected by members other than Declarant. If members other than Declarant are unable to elect at least twenty percent (20%) of the directors by the exercise of cumulative voting or otherwise, the number of positions on the Board necessary to meeting the twenty percent (20%) requirement shall be filled by nominees elected by members other than Declarant (the "specially elected" directors). Nominations for specially elected directors may be made by any member other than Declarant by submitting a written nomination before the meeting to the Secretary of the Association, or by placing a name in nomination at the meeting prior to the vote. A specially elected director may be removed prior to the expiration of his or her term only by the vote or written assent of members other than Declarant who hold a majority of the voting rights other than the voting rights held by Declarant. In case of the death, resignation, or removal of a specially elected director, a successor shall be elected by members other than Declarant to hold office for the unexpired term of his or her predecessor and until a successor has been elected and qualified. Except as otherwise provided in this Section, the provisions of the Declaration, the Articles and

these Bylaws, applicable to directors, including their election, removal, rights, and duties, shall apply to specially elected directors.

## ARTICLE VII

### MEETINGS OF THE BOARD OF DIRECTORS

#### Section 7.01.

##### Regular Meetings.

Regular meetings of the Board shall be held at least once every three (3) months provided the business to be conducted by the Board does not require monthly meetings, at a time and at a meeting place as fixed by the Board. The meeting place shall ordinarily be within the project itself unless, in the judgment of the Board, a larger meeting room is required than exists within the project, in which case, the meeting room selected shall be as close as possible to the project. Notice of the time and place of regular Board meetings shall be posted in a prominent place or places within the Common Area and shall be communicated to the Board members not less than four (4) days prior to the meeting; provided that, notice of a meeting need not be given to any Board member who has signed a waiver of notice, or a written consent to the holding of the meeting.

#### Section 7.02.

##### Special Meetings.

Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President or Secretary of the Association, or by any two (2) directors. 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 given to each director by one (1) of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association. Such notice shall also be posted at a prominent place within the Common Area not less than seventy-two (72) hours prior to the scheduled time of the meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

#### Section 7.03.

##### Quorum.

A majority of the directors then in office (but not less than two (2)) shall constitute a quorum for the

transaction of business. 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 a majority of the required quorum for that meeting.

Section 7.04.            Open Meetings.

All 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.

Section 7.05.            Executive Session.

The Board may, with approval of a majority of a quorum, 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.

Section 7.06.            Telephone Meetings.

Any meeting, regular or special, may be held by conference telephone of similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after the meeting.

Section 7.07.            Waiver of Notice.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 7.08.            Notice of Adjourned Meeting.

Notice of the time and place of holding an 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.

Section 7.09.            Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors 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 of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. 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 Board members have been obtained.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD

Section 8.01.            Powers.

The Board shall have all powers conferred on the Association as set forth in the Declaration and these Bylaws, except those powers expressly reserved to the members and subject to the requirements to obtain approval of the members before certain actions may be taken. In addition, the Board shall appoint and remove at its pleasure all officers, agents, and employees of the Association, and shall prescribe powers and duties for them that are consistent with the Declaration, the Articles, these Bylaws, and any applicable laws.

Section 8.02.            Duties.

The Board shall be responsible for the performance of the duties of the Association as set forth in the Declaration, and shall supervise all officers, agents, and employees of the Association for the proper performance of their duties. In addition, the Board shall maintain a complete written record of all of its actions.

Section 8.03.            Standard of Care.

Each director of the Board shall perform his or her duties as a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, 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. In performing

the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (i) one or more officers or employees of the Association whom the director believes to be reliable and competent in the matters presented; (ii) counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or (iii) a committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted. A person who performs the duties of a director in accordance with the foregoing, shall have no liability based upon any failure or alleged failure to discharge the person's obligations as a director.

Section 8.04.

Committees of the Board.

The Board, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of one or more directors and persons who are not directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the directors then in office. The Board may appoint one or more directors as alternate members of any such committee, to the extent provided in the resolution of the Board, shall have all of the authority of the Board, except that no committee, regardless of Board resolution, may:

(i) take any final action on any matter which, under the Declaration or the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members or approval of a majority of all members;

(ii) fill vacancies on the Board or on any committee which has the authority of the Board;

(iii) amend or repeal these Bylaws or adopt new bylaws;

(iv) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;

(v) appoint any other committees of the Board or the members of those committees; or

(vi) expend corporate funds to support a nominee for director after there are nominees than can be elected.

Meetings and actions of committees of the Board shall be governed by, held, and taken in accordance with, the provisions of these Bylaws concerning meetings and other actions of the Board, except that the time for regular meetings of such committees and calling of special meetings of such committees may be determined either by resolution of the Board or, in the absence of a Board resolution, by resolution of the committee. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the Association records. The Board may adopt rules for the governing of any committee not inconsistent with the provisions of these Bylaws, or in the absence of rules adopted by the Board, the committee may adopt such rules.

It shall be the duty of each committee to receive complaints (in writing) from members on any matter involving Association functions and duties within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committees, directors or officer of the Association as is further concerned with the matters presented.

Section 8.05.

Due Process Requirements.

Before the Board imposes any monetary penalties, or suspensions of membership rights or Common Area use privileges against any member for failure to comply with the Declaration, these Bylaws, or the Association Rules and Regulations, the Board must act in good faith and must satisfy each of the following requirements:

(i) The member is given fifteen (15) days prior notice of the discipline to be imposed and the reasons for the imposition of the discipline. The notice may be given by any method reasonably calculated to give actual notice. If the notice is given by mail, it must be sent by first class or registered mail to the last address of the member as shown on the Association's records.

(ii) The member is given an opportunity to be heard, orally or in writing, by the Board, not less than five (5) days before the effective date of the imposition of the discipline.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 9.01.

Officers of the Association.

The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer. The Association may also have, at the discretion of the Board, one

or more additional Vice-Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers.

Section 9.02.            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 members.

Section 9.03.            Term.

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

Section 9.04.            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.

Section 9.05.            Resignation and Removal.

Any officer may be removed from office (but not from the Board, if he or she is also a Board member) by the Board with or without cause. Any officer may resign at any time by given 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 9.06.            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 office he or she replaces.

Section 9.07.            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 sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

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 by the Board.

C. Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with the addresses, and shall perform such other duties as required by the Board.

D. Treasurer. The Treasurer 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 sign all promissory notes of the Association; shall keep proper books of account; shall prepare and shall distribute budgets and financial statements to each member as follows:

(1) A pro forma operating budget for each fiscal year which shall be distributed not less than forty-five (45) nor more than sixty (60) days before the beginning of the fiscal year consisting of at least the following: (a) Estimated revenue and expenses on an accrual basis; (b) The identification of the total cash reserves of the Association currently set aside; (c) The identification of the estimated remaining life of, and the methods of funding used to defray future repair, replacement, or additions to, those major components which the Association is obligated to maintain; (d) 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 are attributable to the areas which the Association is obligated to maintain;

(2) 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 lot in the project, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the numbers of the lots and the name of the owners assessed.

(3) A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (a) A balance sheet as of the end of the fiscal year; (b) An operating (income) statement for the fiscal year; and (c) A statement of changes in financial position for the fiscal year. 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 a licensee of the California State Board of Accountancy; (e) Any information required to be reported under Section 8322 of the California Corporations Code;

(4) If the report referred to in D(3), above 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 from the books and records of the Association without independent audit or review;

(5) 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, and a statement of the place where the names and addresses of the current members are located shall be annually distributed to the members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

## ARTICLE X

### BOOKS AND RECORDS

#### Section 10.01. Inspection by Members.

The membership register (including names, addresses and voting rights), books of account and minutes of meetings of the members, of the Board, and of committees 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 project as the Board shall prescribe.

#### Section 10.02. 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 required by a member.

Section 10.03.

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 the expense of the Association.

Section 10.04.

Documents Provided by Board.

Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide the owner of a lot with a copy of the governing documents of the project, a copy of the most recent financial budget and statements of the Association distributed pursuant to Section 9.09D(1), (3) and (5), and a true statement in writing from an authorized representative of the Association as to the amount of any assessments levied upon the lot which are unpaid on the date of the statement, including late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the owner's lot. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

ARTICLE XI

GENERAL PROVISIONS

Section 11.01.

Amendment of Bylaws.

Prior to the conveyance of the first lot in the project, Declarant may amend these Bylaws (provided any amendment constituting a material change shall require the approval of the Department of Real Estate). After the conveyance of the first lot in the project, these Bylaws may be amended, only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of a quorum of the Association and a majority of the votes or written consent of members other than Declarant, or where the two (2) class voting structure is still in effect, by vote of 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 votes required for action to be taken under that clause.

Section 11.02.

Conflicts.

In the case of any conflict or inconsistency between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict or inconsistency between the Declaration and these Bylaws, the Declaration shall control.

Section 11.03.

Fiscal Year.

Unless the Board determines otherwise, the fiscal year of the Association shall 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 shall begin on the date of incorporation.

Section 11.04.

Applicability.

The provisions of these By-Laws are applicable to the project, its operation, occupancy, ownership, maintenance and use and to all present and future owners, members of their families, guests, tenants, agents, employees and licensees and to any other person or persons who may use the project or its facilities in any manner. The acceptance of a deed to any lot in the project shall constitute an acceptance and ratification of these By-Laws and the Declaration, as either or both may from time to time be amended.

We, the undersigned, being all of the Directors of Rainbow Glen Homeowners' Association, Inc., a California nonprofit mutual benefit corporation, do hereby certify:

That we are entitled to exercise all of the voting power of said corporation;

That we hereby assent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of said corporation.

IN WITNESS WHEREOF, we have hereunto subscribed our names this \_\_\_\_ day of \_\_\_\_\_, 1986.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CERTIFICATE OF SECRETARY

I, the undersigned, the duly elected and acting Secretary of Rainbow Glen Homeowners' Association, Inc., a California nonprofit mutual benefit corporation, do hereby certify:

That the within and foregoing Bylaws were adopted as the Bylaws of said corporation on the \_\_\_\_ day of \_\_\_\_\_, 1986, and that the same do now constitute the Bylaws of said corporation.

IN WITNESS WHEREOF, I have hereto subscribed my name this \_\_\_\_ day of \_\_\_\_\_, 1986.

\_\_\_\_\_  
Secretary