

**BY-LAWS**  
**OF**  
**SUMMER PLACE HOMEOWNERS ASSOCIATION**

**ARTICLE I**

**NAME & LOCATION**

The name of the corporation is SUMMER PLACE HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association". The principal office of the Association shall be located in Orange County, California.

**ARTICLE II**

**DEFINITIONS**

Section 1. "Association" shall mean and refer to SUMMER PLACE HOMEOWNERS ASSOCIATION, its successors and assigns.

Section 2. "Property" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Residential Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property with the exception of the Common Area.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Residential Lot which is part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to CHARLES T. SMITH, his successors and assigns if such successors and assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded in the Office of the Orange County Recorder, State of California, on August 20, 1975, in Book 11489, at Page 1168 et. seq.

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

## ARTICLE III

### APPLICABILITY

Section 1. The provisions of these By-Laws are applicable to the Property.

Section 2. All present or future owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the Property in any manner are subject to the regulations set forth in these By-Laws, the recorded Declaration of Restrictions applicable to the Property or any portion thereof, and as the same may be amended from time to time as herein provided, (the "Declaration" herein). The mere acquisition or rental of any of the Residential Lots of the Property or the mere act of occupancy of any of the Residential Lots will signify that these By-Laws are accepted, ratified, and will be complied with.

## ARTICLE IV

### VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

Section 1. Voting. Voting shall be on a basis of one vote for each Residential Lot as set forth in Article IV of the Declaration.

Section 2. Majority of Owners. As used in these By-Laws the term "Majority of Owners" shall mean those Owners holding fifty-one (51%) percent of the votes in accordance with the voting rights assigned in the Declaration.

Section 3. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a "Majority of Owners" as defined in Section 2 of this Article shall constitute a quorum.

Section 4. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

## ARTICLE V

### ADMINISTRATION

Section 1. Association Responsibilities. The Owners of the Residential Lots will constitute the Association of Owners (hereinafter referred to as "Association"), who will have the responsibility of administering the Property, approving the annual budget, establishing and collecting monthly assessments and arranging for the management of the Property pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of a management agent. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a Majority of Owners.

Section 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Property or such other suitable place convenient to the Owners as may be designated by the Board of Directors.

**Section 3. Organizational and Annual Meetings.** The first annual meeting of the Association shall be held not later than six (6) months after sale of the first Residential Lot in the Property. Thereafter the annual meetings of the Association shall be held on such date and time in October of each year as the Board of Directors shall determine. At such meetings there shall be elected by ballot of the Owners a Board of Directors in accordance with the requirements of Article VI of these By-Laws. The Owners may also transact such other business of the Association as may properly come before them.

**Section 4. Special Meetings.** It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by a majority of the Owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the Owners present, either in person or by proxy.

**Section 5. Notice of Meetings.** It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held; to each Owner of record, at least thirty (30) but not more than sixty (60) days prior to such meeting. The mailing of a notice in the manner provided in this section shall be considered a notice served.

**Section 6. Adjourned Meetings.** If any meeting of Owners cannot be organized because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called at which time a quorum shall be twenty-five (25%) percent..

**Section 7. Order of Business.** The order of business at all meetings of the Owners of the Residential Lots shall be as follows: (a) roll call; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers.

**Section 8. Action Without Meeting.** Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Owners, may be taken without a meeting if authorized by a writing signed by all of the Owners who would be entitled to a vote at a meeting for such purpose, and filed with the Secretary.

## **ARTICLE VI**

### **BOARD OF DIRECTORS**

**Section 1. Number and Qualification.** The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons, all of whom must be Owners of Residential Lots on the Property, except the first directors.

**Section 2. Election and Term of Office.** Commencing with the October, 2004 Annual Meeting, the Board of Directors shall be elected as follows:

(a) The three (3) candidates receiving the highest number of votes shall serve a two (2) year term of office, and the two (2) candidates receiving the next highest number of votes shall serve a one (1) year term of office; and

(b) At each Annual Meeting thereafter, the Owners shall elect Directors for a two (2) year term to replace or re-elect those Directors whose terms are then expiring.

The directors shall hold office until their successors have been elected and hold their first meeting. There shall be cumulative voting for the election of officers.

Section 3. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected at the next annual meeting of the Association.

Section 4. Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the Owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting. There shall be cumulative voting in the removal of Directors.

Section 5. 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 incurred in the performance of his duties.

Section 6. Organizational Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, proving a majority of the whole Board shall be present.

Section 7. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time, by a majority of Directors, but at least four such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like notice on the written request of at least three (3) Directors.

Section 9. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Board of Directors Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 11. Action Without Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 12. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

Section 13. Powers. The Board of Directors shall have the power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof:

(b) suspend the voting rights and right to use the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed thirty (30) days for infraction of published rules and regulations.

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; or such member is delinquent (as defined in Article IX, Section 1(a)) in his monthly assessment payment or any special assessment payment;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(f) contract and pay for maintenance, gardening, utilities, materials and supplies and services, relating to the Common Area and/or facility and to employ personnel reasonably necessary for the operation of the same, including lawyers and accountants where appropriate; provided, however, that no contract shall be for a period longer than one (1) year;

(g) where appropriate, (and subject to the terms of the Declaration regarding destruction) to pay for reconstruction of any portion or portions of the Property damaged or destroyed which are to be rebuilt;

(h) delegate its' powers; and

(i) enter into any Residential Lot when necessary in connection with maintenance or construction for which the Board of Directors is responsible.

**Section 14. Duties.** It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and cause the preparation of a balance sheet and an income operating statement as directed in the Declaration Section 6.12 to be made and to cause a copy of such report to be delivered to each member within sixty (60) days after the end of the fiscal year and the last day of the month closest in time to six (6) months from the date of closing of the first Residential Lot sold;

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

(c) as more fully provided herein, and in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each calendar year, and:

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each calendar year, as hereinafter provided, and:

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

(e) contract and pay premiums for fire, casualty, liability and other insurance, including indemnity and other bonds not inconsistent with the Declaration;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area to be maintained and;

(h) cause the exterior of the dwellings to be maintained.

## ARTICLE VII

### OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, Vice President, a Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors. The Directors may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause and his successor elected at any regular meeting of the Board called for such purpose.

Section 4. President. The President shall be the Chief Executive Office of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of President of an Association.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

## ARTICLE VIII

### COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

## ARTICLE IX

### OBLIGATIONS OF THE OWNERS.

#### Section 1. Assessments.

(a) All Owners are obligated to pay monthly and any special assessments imposed by the Association to meet all communal expenses dealing with the Property which may include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake, or other hazard. The assessments shall be made against each Residential Lot Owner as stipulated in Article V of the Declaration. Such assessments shall include monthly payments to a General Operating Reserve and a Reserve Fund for Replacements. Not later than thirty (30) days prior to the beginning of each annual assessment period, the Association shall estimate the total charges to be assessed against each Residential Lot. Each Owner thereof shall thereafter pay to the Association his assessment in twelve (12) equal installments, each installment to be paid on or before the tenth (10) day of each month. In the event the Association shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all expenses of the Property for any reason, including non-payments of any Owner's assessment on a current basis, it shall determine the approximate amount of such inadequacy and issue a supplemental estimate of the total charges to be assessed against each Residential Lot. Other than as specifically set forth in the Declaration and these By-Laws, if the special assessments are for capital improvements and the improvements are in excess of One Thousand (\$1,000.00) Dollars, a majority vote of the Owners therefore, excluding Declarant, shall be required. The Association may, at its discretion, prorate any such supplemental assessment between the remaining months of the calendar year, or immediately levy a special assessment against each Residential Lot. Each monthly installment shall become delinquent if not paid within thirty (30) days after the levy thereof. There shall accrue with each delinquent monthly installment and with each such delinquent special assessment, a late charge of Ten (\$10.00) Dollars.



(b) The Board of Directors or the Management Agent of the Association, on behalf of the Association may cause to be recorded in the office of the Orange County Recorder, a notice of any delinquent sums due the Association from any Residential Lot against which the same has been assessed, and the name of the record Owner or Owners thereof. Upon payment to the Association of such delinquent sums and charges in connection therewith, or other satisfaction thereof, the Board of Directors or Management Agent shall cause to be recorded a further notice stating the satisfaction and release of such delinquent sums and charges. Such notices shall be signed on behalf of the Association by any member of the Board of Directors or by the Management Agent. The Association may demand and receive the cost of recordation of such release before recording same. Any purchase of encumbrances, acting in good faith and for value, may rely upon such notice of satisfaction and release as conclusive proof of the full satisfaction of the sums stated in the notice of delinquent sums.

(c) All such delinquencies shall be enforced, collected and/or foreclosed in the manner provided in the Declaration.

**Section 2. Maintenance and Repair.**

(a) Every Owner must perform promptly all maintenance and repair work within his own Residential Lot, which, if omitted, would affect the Property in its entirety or Residential Lot(s) belonging to other Owners, being expressly responsible for the damage and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the Residential Lot such as water, light, gas, power, sewage, telephones, sanitary installations, doors, windows, lamps and other accessories belonging to the Residential Lot area shall be at the Owners expense.

(c) An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Area and facility damaged through his fault.

**Section 3. Use of Family Residential Lots – Internal Changes.**

(a) All Residential Lots shall be utilized for residential purposes only.

(b) An Owner shall not make structural modifications or alterations in his Residential Lot or installations located therein without previously submitting the plans and specifications to the Board of Directors of the Association or to an Architectural Committee composed of three (3) or more representatives appointed by the Board, and obtaining approval thereof. The Association shall have the obligation to answer within thirty (30) days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

Section 4. Right of Entry.

(a) An Owner shall grant the right of entry to the Management Agent or to any other person authorized by the Board of Directors or the Association in case of any emergency originating in or threatening his Residential Lot whether the Owner is present at the time or not.

(b) An Owner shall permit other Owners, or their representatives, when so required, to enter his Residential Lot for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that such requests for entry are made in advance and that such entry is at a time convenient to the Owner.

Section 5. Rules of Conduct.

(a) No resident of the Property shall post any signs, advertisements or posters of any kind in or on the Property, except as authorized by the Association, except a sign of customary and reasonable dimensions advertising the Residential Lot for sale.

(b) No Residential Lot shall be used in such manner as to obstruct or interfere with the enjoyment by residents of other Residential Lots or annoy them by unreasonable noises or otherwise, nor shall any nuisance of immoral or illegal activity be committed or permitted to occur. No noxious or offensive activity shall be carried on.

(c) No laundry, bedding, garment or other items of like nature shall be hung on any Residential Lot as to be visible from another Residential Lot or from the Common Area. Small household dogs or cats may be kept on the Residential Lots subject to the approval of the Board of Directors. No animal shall be kept, bred or maintained for any commercial purpose.

(d) No Owner, resident or lessee shall install wiring for electrical or telephone installation, television antenna, machines or air conditioning units, etc., on the exterior of the building of the Property, or that protrude through the walls or the roof of the building except as authorized by the Association.

(e) No Owner, resident or lessee shall install fences or walls of any kind or nature whatsoever on the Property except as authorized by the Association.

(f) Only passenger motor vehicles shall be kept on the Property and they shall be parked in the garages of the Residential Lots or in areas designated by the Board of Directors. No other motor vehicles, including, but not limited to, campers, trailers, boats, boat trailers, motor homes or any other vehicle will be parked or stored on the Property. No boat or vehicle shall be repaired or rebuilt on the Common Area or in any garage of a Residential Lot.

## ARTICLE X

### AMENDMENT TO BY-LAWS

These By-Laws may be amended by the Association in a duly constituted meeting for such purposes and no amendment shall take effect unless approved by Owners representing at least fifty-one (51%) percent of the total voting interest of all Residential Lots on the Property as shown in the Declaration. Provided, however, that no amendment hereto shall effect anything to the contrary stated in the Declaration, and the Declaration shall prevail wherever a conflict exists.

## ARTICLE XI

### MORTGAGEES

Section 1. Notice of Association. An Owner who mortgages his Residential Lot shall notify the Association through the Management Agent, if any, or the President of the Board of Directors in the event there is no Management Agent, the name and address of his mortgagee, and the Association shall maintain such information in a book entitled "Mortgagees of Residential Lots". Any such Owner shall likewise notify the Association as to the release or discharge of any such mortgage.

Section 2. Notice of Unpaid Assessments. The Association shall, at the request of a mortgagee of a Residential Lot, report any unpaid assessments due from the Owner of such Residential Lot.

## ARTICLE XII

The following terms as used in these By-Laws, shall have the same meaning as are applied to such terms in the Declaration: "Mortgage", "Mortgagee", and Member.

## ARTICLE XIII

Section 1. The fiscal year of the Administration shall be determined by the Board of Directors and having been so determined is subject to change by the Board of Directors, except that the first fiscal year shall begin on the date of incorporation.

MCKITTRICK, JACKSON, DEMARCO & PECKENPAUGH

A LAW CORPORATION

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May 16, 1984

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JAY R. STEINMAN  
BEVERLY A. WEE  
MARC J. WINTHROP

Adopted by the Board of Directors August 1, 1984

Board of Directors  
Summer Place Homeowners Association  
c/o Association Management &  
Maintenance Company  
396 Camino de Estrella  
San Clemente, California 92672

Attention: Mr. William L. Hayden

Re: Amendments to Summer Place  
Homeowners Association Bylaws

Ladies and Gentlemen:

We have reviewed the Articles of Incorporation, Bylaws and CC&Rs for Summer Place Homeowners Association to determine what amendments to these documents are required in order to comply with the various statutes which have been enacted since the preparation of these documents. While no amendment of the Articles or the CC&Rs is required, the Bylaws should be amended as follows:

1. Recording Information for CC&Rs. In order to set forth the recording information for the CC&Rs called for by Article II, Section 7 of the Bylaws, this Section should be revised to read as follows:

"Section 7. 'Declaration' shall mean and refer to to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded on August 20, 1975, in Book 11489, at Pages 1168, et. seq., in the Official Records of Orange County, California."

Board of Directors  
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2. Special Meetings of Owners. In order to comply with Sections 7510 and 7511 of the Corporations Code, Article V, Section 4 of the Bylaws should be amended to read as follows:

"Section 4. Special Meetings. Special meetings of the Owners may be called by the President, the Board of Directors, the Chairman of the Board, or by five percent (5%) or more of the Owners. Upon request in writing to the Chairman of the Board, the President, the Vice President or Secretary by any person (other than the Board) entitled to call a special meeting, the officer forthwith shall cause notice to be given to the Owners of record that a meeting will be held not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request. No business shall be transacted at a special meeting except as stated in the notice thereof."

3. Notice of Meetings of Owners. In order to comply with Section 7511 of the Corporations Code, Article V, Section 5 of the Bylaws should be amended to read as follows:

"Section 5. Notice of Meetings. Written notice of each annual or special meeting shall be given to each Owner of record, either personally or by sending a copy of the notice through the mail, first-class, postage prepaid. Notices of a special meeting requested in writing to the Chairman of the Board, President, Vice President, or Secretary by any person, other than the Board, entitled to call a special meeting shall be given within twenty (20) days after receipt of such request. All notices of meetings shall be sent to each Owner of record not less than ten (10) days nor more than ninety (90) days before each meeting. All notices of meetings shall specify the place, the day and the hour of such meeting. A notice of special meeting shall state the general nature of the business to be transacted and a notice of an annual meeting shall state those matters the Board of Directors intends to present for action by the Owners. A notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to the Owners."

Board of Directors  
Summer Place Homeowners Association  
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4. Adjourned Meetings. In order to comply with Sections 7511(d) and 7512(b) of the Corporations Code, Article V, Section 6 of the Bylaws should be amended by adding the following at the end of the Section:

"Such an adjourned meeting may be held without notice thereof as provided in this Article V, provided that notice is given by announcement at the meeting at which such adjournment is taken. If, however, such an adjourned meeting is actually attended, in person or by proxy, by less than one-third (1/3) of the Owners, notwithstanding the presence of a quorum, no matters may be voted upon except such matters notice of the general nature of which was given pursuant to Article V, Section 5 hereof."

5. Staggered Terms for Directors. In order to accomplish your wish to provide for staggered terms of offices of the Directors, Article VI, Section 2 of the Bylaws should be revised to read as follows:

"Section 2. Election and Term of Office. At the first annual meeting of the Owners following the adoption of these Amendments to the Bylaws, new Directors shall be elected by the Owners as provided in these Bylaws. The term of office of the three (3) Directors receiving the highest number of votes at such annual meeting shall be two (2) years and the term of office of the two (2) Directors receiving the next highest number of votes at such annual meeting shall be one (1) year. At each annual meeting thereafter, new directors shall be elected to fill vacancies on the Board. The term of office of each Director elected fill a vacancy created by the expiration of the term of office of the respective past Director shall be two (2) years. The term of office of each Director elected to fill a vacancy created by reasons other than the expiration of the term of office of the respective past Director shall be the balance of the unserved term of his predecessor. There shall be cumulative voting for the election of Directors."

Board of Directors  
Summer Place Homeowners Association  
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6. Removal of Directors. In order to comply with Section 7222 of the Corporations Code, Article VI, Section 4 of the Bylaws should be amended to read as follows:

"Section 4: Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by the vote of Owners representing a majority of a quorum of Owners, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting. There shall be cumulative voting in the removal of Directors."

7. Annual Report and Other Financial Information. In order to comply with Section 1730 of the Civil Code while at the same time remaining consistent with the provisions of Section 6.12 of the CC&Rs, Article VI, Section 14(a) of the Bylaws should be amended to read as follows:

"(a) cause to be kept a complete record of all its acts and corporate affairs and cause the following financial information to be prepared and distributed to all Owners (and any beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Owners or the amount of assets of the Association:

(1) A pro forma operating budget for each fiscal year consisting of at least the following information, which shall be distributed within sixty (60) days prior to the beginning of the fiscal year.

(i) The estimated revenue and expenses of the Association computed on an accrual basis.

(ii) An identification of the total cash reserves of the Association currently set aside.

(iii) An itemized estimate of the remaining life of, and the methods of funding to defray the future repair and replacement of, or additions to, major components of the Common Area and the facilities for which the Association is responsible.

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(iv) A general statement setting forth the procedures used by the Board of Directors in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Area and facilities for which the Association is responsible.

(2) A report consisting of the following, which shall be distributed within sixty (60) days after the close of the fiscal year:

(i) A balance sheet as of the end of the fiscal year.

(ii) An income statement for the fiscal year.

(iii) A statement of changes in financial position for the fiscal year.

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

(v) For any fiscal year in which the gross income of the Association exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

If the report referred to above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the statement was prepared from the books and records of the Association without independent audit or review.

In addition to financial statements, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of assessments."



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8. Officers. Corporations Code Section 7213 permits any number of offices to be held by the same person. Accordingly, Article VII, Section 1 of the Bylaws should be amended by adding the following at the end of the Section: "Any number of offices may be held by the same person."

9. Chief Financial Officer. In order to comply with Section 7213 of the Corporations Code, Article VII, Section 7 of the Bylaws should be amended by adding the following sentence at the beginning of the Section: "The Treasurer shall be the chief financial officer of the Association."

The Board should adopt resolutions approving the foregoing amendments, and the amendments should then be presented to the Owners for their approval pursuant to Article X of the Bylaws. Since statutory provisions control inconsistent Bylaw provisions, the Board is under a duty to comply with the foregoing amendments even if the approval of the Owners cannot be obtained. In such a case, the Board should adopt a resolution stating that it will comply with the statutes which conflict with the provisions of the Bylaws.

If you have any questions concerning the foregoing, please do not hesitate to call.

Very truly yours,

  
F. Scott Jackson

FSJ/pls