

Section 8.6 **Limitations.** No indemnification or advance shall be made under this Article, except as provided in Section 8.2 or Section 8.5(b)(iii), in any circumstance when it appears:

(a) that the indemnification or advance would be inconsistent with a provision of the Articles, a resolution of the Members, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) that the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 8.7 **Advance Of Expenses.** Expenses incurred in defending any proceeding may be advanced by this Association before the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section 8.8 **Contractual Rights Of Nondirectors And Nonofficers.** Nothing contained in this Article shall affect any right to indemnification to which persons other than Directors and Officers of this Association, or any subsidiary hereof, may be entitled by contract or otherwise.

Section 8.9 **Insurance.** The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this Association would have the power to indemnify the agent against that liability under the provisions of this Section.

ARTICLE IX. MISCELLANEOUS

Section 9.1 **Checks, Drafts, Etc.** All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed by the Chief Financial Officer and co signed by the President.

Section 9.2 **Contracts, Etc.; How Executed.** The Board, except as otherwise provided in these Bylaws, may authorize any Officer or Officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no Officer, agent or employee shall have any power or authority to bind the Association by a contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 9.3 **Maintenance And Inspection Of Articles And Bylaws.** The Association shall keep in its principal office the original or a copy of the Articles of Incorporation and these Bylaws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 9.4 **Maintenance And Inspection Of Other Corporate Records.**

Commencing not later than ninety (90) days after the close of escrow of the first Lot in the Development, copies of the documents listed below, as soon as readily attainable, shall be delivered by the Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the documents listed below shall apply to any documents obtained by the Declarant no matter when obtained, *provided, however*, such obligation shall terminate upon the earlier of (a) the conveyance of the last Lot in the Development covered by a Final Subdivision Public Report, or (b) three (3) years after the expiration of the most recent Final Subdivision Public Report, for the Development:

- (a) The recorded subdivision map or maps for the Development.
- (b) The deeds and easements executed by the Declarant conveying the Common Areas or other interest to the Association.
- (c) The Declaration, including all amendments and annexations thereto.
- (d) The Association's filed Articles of Incorporation, and all amendments thereto.
- (e) The Association's Bylaws, and all amendments thereto.
- (f) All Architectural Design Guidelines and all other rules regulating the use of an owner's interest in the Development.
- (g) The plans approved by the City of Lake Elsinore for the construction or improvement of Common Area improvements; *provided, however*, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- (h) All notice of completion certificates issued for the Common Areas (other than residential structures).
- (i) Any current bond or other security device in which the Association is the beneficiary.
- (j) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements.
- (k) Any current insurance policy procured for the benefit of the Association, the Board or the Common Areas.
- (l) Any current lease or contract to which the Association is a party.

(m) The membership register, including mailing address and telephone numbers, books of account and minutes of meeting of the members, of the Board, and of committees of the Board.

(n) Any instrument, not described above, which establishes or defines the common, mutual or reciprocal rights or responsibilities of members of the Association.

Commencing not later than ninety (90) days after the annexation of additional phases to the Development, copies of those documents listed in items (a) through (n) above which are applicable to that phase, shall, as soon as readily obtainable, be delivered by the Declarant to the Board at the office of the Association, or at such place as the Board shall prescribe. The obligation to deliver the documents listed in items (a) through (n) above shall apply to any documents obtained by the Declarant no matter when obtained *provided, however*, such obligation shall terminate upon the earlier of (a) the conveyance of the last Lot in the Development covered by a Final Subdivision Public Report, or (b) three years after the expiration of the most recent Final Subdivision Public Report, for the Development.

The Association shall keep the following records at such place or places designated by the Board or, in the absence of such designation, at its principal executive office:

- (a) Adequate and correct books and records of account;
- (b) Minutes of the proceedings of the Members, Board of Directors and any committee(s) of the Board; and
- (c) A record of the names, mailing addresses, telephone numbers and the class of membership of each Member.

The minutes shall be available to Members, upon request, within thirty (30) days of the meeting and shall be kept in written or typed form, and the other accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. Members shall be notified in writing of their right to obtain copies of the minutes (upon payment of a reproduction charge) which shall be distributed to all Members along with the pro forma operating budget which is required to be distributed to all Members pursuant to Section 9.6 herein. These records shall be open to inspection and copying on the written demand of any Member, at any reasonable time during usual business hours, for a purpose reasonably related to the Member's interests as a Member. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts.

The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of records by the Member desiring to make the inspection. A Member who wishes to inspect and copy the record of all Members' names, addresses and voting rights, must give five (5) business days' prior written demand to the Association which demand shall state the purpose for which the inspection rights are requested.

(b) Hours and days of the week when such an inspection may be made.

(c) Payment of the cost of reproducing copies of documents requested by a Member.

Each 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.

Section 9.5 **Accounting Year**. The accounting year of the Association shall terminate on December 31 of each year.

Section 9.6 **Annual Reports to Members**. The annual report to Members referred to in the California Nonprofit Mutual Benefit Corporation Law is expressly dispensed with, but nothing in these Bylaws shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the Members as they consider appropriate. The Board will comply with the provisions of Sections 1365 and 1365.5 of the Civil Code as they may be amended from time to time.

ARTICLE X. EVIDENCE OF MEMBERSHIP, SEAL

Section 10.1 **Evidence Of Membership**. The Board shall have the power, but not the obligation, to cause the issuance of evidence of membership in the Association to the Members in such form as the Board shall determine.

Section 10.2 **Seal**. The Association may, but shall not be required to, have a seal in circular form having within its circumference the name of the Association, its date of incorporation and such other matters as may be required by the laws of California.

ARTICLE XI. AMENDMENTS, CONFLICTS

Section 11.1 **Amendments**. These Bylaws may be amended from time to time by vote at any duly called, noticed and held regular or special meeting of the Members at which a quorum is present or by written assent of the Members. Until the Initial Sale Date, amendments or modifications shall be effective when executed by Declarant. Thereafter, as long as there is a Class B membership, any amendment to these Bylaws shall require the affirmative written consent or vote of a majority of a quorum of the voting power of the Association. After the Class B membership has been converted to Class A membership, amendments to these Bylaws may be enacted only by the vote or written assent of Members representing both a majority of a quorum of the voting power of the Association and a majority of a quorum of the voting power of the Association residing in Members other than the Declarant.

An amendment or modification that requires the vote and written assent of the Members as hereinabove provided shall be effective when executed by the President and