

them, in addition to recovery of fines and penalties identified in the Declaration, the Board may impose a charge upon such Owner as set forth in a schedule of monetary penalties to be adopted and distributed to the Members in accordance with Civil Code Section 1363 for each violation and/or may suspend the right of such Owner to vote his membership in the Association, under such circumstances as the Board may specify, for a period of not to exceed thirty (30) days for each such violation; provided, however, that before invoking any such additional charge and/or suspension the Board shall give the Owner fifteen (15) days' prior written notice of the charge and/or suspension of voting rights and the reasons therefor, and shall provide an opportunity for the Member to be heard before the Board, in person, in writing, or by Counsel, at the Owners' expense, not less than five (5) days before the effective date of the charge and/or suspension. Any notice hereunder which is given by mail must be sent by first class or registered mail to the Owner at his most recent address as shown on the records of the Association. The Board of Directors must distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for each violation of the Restrictions. The Board of Directors must distribute additional schedules if the schedule of monetary penalties is modified.

## ARTICLE XI

### Indemnification

11.1 Definitions. For the purposes of this Article XI, "agent" means any person who is or was a Director, officer, employee, or other agent of the Association, or is or was serving at the request of the Association as a Director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a Director, officer, employee, or agent of a foreign or domestic corporation which was a predecessor of the Association or of another enterprise at the request of such predecessor; "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under Section 11.4 or 11.5(c) of this Article XI.

11.2 Indemnification in Actions by Third Parties. The Association shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Association to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe

the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Association or that the person had reasonable cause to believe that the person's conduct was unlawful.

11.3 Indemnification in Actions by or in the Right of the Association. The Association shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed 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. No indemnification shall be made under this Section 11.3:

(a) In respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the Association in the performance of such person's duty to the Association, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

11.4 Indemnification Against Expenses. To the extent that an agent of the Association has been successful on the merits in defense of any proceeding referred to in Section 11.2 or 11.3 of this Article XI or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

11.5 Required Determinations. Except as provided in Section 11.4 of this Article XI, any indemnification under this Article XI shall be made by the Association only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section 11.2 or 11.3 of this Article XI, by:

(a) A majority vote of a quorum consisting of Directors who are not parties to such proceeding;

(b) Approval by vote or written ballot of a majority of a quorum present at a duly held meeting of the Members with the persons to be indemnified not being entitled to vote thereon; or

(c) The court in which such proceeding is or was pending upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the Association.

11.6 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article XI.

11.7 Other Indemnification. No provision made by the Association to indemnify its Directors or officers for the defense of any proceeding, whether contained in the Articles, Bylaws, a resolution of Members or Directors, an agreement, or otherwise, shall be valid unless consistent with California Corporations Code § 7237 as amended from time to time, it being understood that at the present time the provisions of this Article XI comply with the requirements of California Corporations Code § 7237. Nothing contained in this Article XI shall affect any right to indemnification to which persons other than such Directors and Officers may be entitled by contract or otherwise.

11.8 Forms of Indemnification Not Permitted. No indemnification or advance shall be made under this Article XI, except as provided in Section 11.4 or 11.5(c), in any circumstances where it appears:

(a) That it would be inconsistent with a provision of the Articles, these Bylaws, 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 it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

11.9 Insurance. The Association shall have power to purchase and maintain 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 the Association would have the power to

indemnify the agent against such liability under the provisions of this Article XI.

## ARTICLE XII

### Miscellaneous

12.1 Checks, Drafts, etc. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

12.2 Contracts, etc. - How Executed. The Board of Directors, except as otherwise provided in the Restrictions, may authorize any officer or officers, agent or agents, to enter into contracts 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 authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or any amount.

12.3 Inspection of Articles and Bylaws. The Association shall keep in its principal office for the transaction of business the original or a copy of its Articles of Incorporation and these Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

12.4 Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors and having been so determined is subject to change from time to time as the Board of Directors shall determine.

12.5 Conflicts. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with any applicable law or statute of the State of California, the provisions of said law or statute shall control.

12.6 Roster of Members. The Association shall maintain at all times and make available for inspection by the Members a roster of the current Membership of the Association including the mailing addresses and telephone numbers of all Members.