



ROSSMOOR
WALNUT CREEK

WALNUT CREEK MUTUAL NO. EIGHT

BY LAWS

If these documents contain any restrictions based on race, color, religion, sex, sexual orientation, familial status, marital status, disability, national origin, source of income as defined in subdivision (p) of Section 12955 or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

**CERTIFICATE OF AMENDMENT OF
BYLAWS OF
WALNUT CREEK MUTUAL NO. EIGHT**

I, the undersigned, hereby certify that:

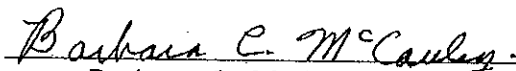
I am the Secretary of Walnut Creek Mutual No. Eight.

The foregoing Amended Bylaws of Walnut Creek Mutual No. Eight were duly approved by the Board of Directors on the 8th day of April, 2003.

The foregoing Amended Bylaws of Walnut Creek Mutual No. Eight were duly approved by the requisite vote of the Members of the Mutual concluded on the 8th day of July, 2003.

The foregoing Amended Bylaws of Walnut Creek Mutual No. Eight were approved by the Department of Housing and Urban Development ("HUD") on June 21, 2005.

Executed this 21st day of June, 2005.



Barbara C. McCauley, Secretary

Approved by the Mutual Membership via vote concluded on July 8, 2003
Approved by HUD on June 21, 2005

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Approved by the Mutual Membership via vote concluded on July 8, 2003
Approved by HUD on June 21, 2005

**AMENDED BYLAWS OF
WALNUT CREEK MUTUAL NO. EIGHT**

ARTICLE 1 NAME; PRINCIPAL OFFICE

The name of this corporation is Walnut Creek Mutual No. Eight (the "Corporation"). The principal office of the Corporation shall be located in the City of Walnut Creek, Contra Costa County, California or such other place reasonably convenient to the Project as the Board of Directors of the Corporation (the "Board of Directors") may from time to time establish.

ARTICLE 2 CORPORATE SEAL

The Board of Directors may provide a suitable corporate seal containing the name of the Corporation, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any Assistant Secretary or Assistant Treasurer.

ARTICLE 3 PURPOSES

The purposes of the Corporation shall be as set forth in the Articles of Incorporation of Walnut Creek Mutual No. Eight, as they may be amended from time to time, and as filed with the Office of the Secretary of State of California (the "Articles of Incorporation").

ARTICLE 4 MEMBERSHIP IN CORPORATION

4.1. Eligibility for Membership and Approval.

4.1.1. In General.

Any natural person or persons and any estate or trustee under a revocable trust (irrespective of whether there is a corporate fiduciary), approved by the Board of

Directors, shall be eligible to purchase or acquire a membership in the Corporation ("Membership") provided that such person or persons, trustee or estate executes an Occupancy Agreement in the usual form prescribed by the Corporation ("Occupancy Agreement") covering a specific dwelling unit ("Unit" or "Manor") in the Walnut Creek Mutual No. Eight cooperative housing project (the "Project").

4.1.2. Approval of Purchase or Transfer of Membership; Member Defined.

The Corporation, in approving a proposed purchaser or transferee of a Membership, shall not act contrary to any applicable federal, state or local law or regulation prohibiting discrimination based on sex, race, color, familial status, religion, ancestry, national origin, disability, or medical condition. Upon purchase or other acquisition of a Membership in the Corporation, such natural person or persons, estate or trustee shall become a member of the Corporation ("Member").

4.1.3. Occupancy Agreement; Designated Occupant.

The Member shall execute an Occupancy Agreement and designate a natural person who has been approved by the Board of Directors as a qualifying occupant ("Designated Occupant"). The Designated Occupant shall be at least fifty-five (55) years of age (the "Qualifying Resident," as defined in the "Senior Housing Residency Restrictions" adopted and published by the Board of Directors from time to time and described in Article 5 of these Amended Bylaws) or a "Qualified Permanent Resident" (as defined in the Senior Housing Residency Restrictions). Such Designated Occupant, if not the Member, shall also execute the Occupancy Agreement. If the Member is not also the Designated Occupant, the Member shall waive, in a manner prescribed by the Corporation, the right to occupy the Unit and the right to use and enjoy the community and recreational facilities, if any, provided by the Corporation.

4.1.4. Revocable Trusts.

If a trustee of a revocable trust is the Member, such trustee shall (i) execute and provide a "Certification of Trust" in accordance with California *Probate Code* section 18100.5, (ii) provide and/or execute such other documents as may be required by the Corporation, which may include a "Trust Recognition Agreement" executed in favor of the Corporation, and (iii) execute the Occupancy Agreement. The Certification of Trust shall not be required to contain the dispositive provisions of the trust which set forth the distribution of the trust estate. If required by the Corporation, the Trust Recognition Agreement shall be in such form as may be determined by the Corporation from time to time, shall be executed and provided to the Corporation at or prior to acquisition of the Membership, and shall provide that

the trustee recognizes the Corporation's interests in the Membership and the appurtenant Occupancy Agreement. If the person who is the trustee is not also the Designated Occupant, the Designated Occupant shall also execute the Occupancy Agreement, and the trustee shall waive, in a manner prescribed by the Corporation, any rights to occupy the Unit, and any and all rights to use and enjoy the community and recreational facilities, if any, provided by the Corporation.

4.1.5. Estates.

If an estate is the Member, the authorized representative of such estate shall execute an Occupancy Agreement in the usual form employed by the Corporation covering a specific Unit and shall designate a Designated Occupant. Such Designated Occupant shall also execute the Occupancy Agreement. The authorized representative shall provide and/or execute such documents relative to the estate and the probate proceedings as may be reasonably required by the Corporation.

4.1.6. Change in Designated Occupant.

A new Occupancy Agreement, in the form then utilized by the Mutual, shall be executed upon any change in the Designated Occupant of a particular Unit.

4.2. Membership Appurtenant to Occupancy Agreement.

Each Member of the Corporation shall be entitled, solely by reason of the Member's ownership of a Membership in the Corporation, to occupy the Unit specified in the Occupancy Agreement to which such Membership is appurtenant, subject to the provisions of these Amended Bylaws, the Senior Housing Residency Restrictions and the rules, regulations and policies governing the use, occupancy, management, administration, and operation of the Project or any part thereof as adopted and published by the Board of Directors from time to time (collectively, the "Rules"), and further subject to the covenants, conditions and agreements contained in such Occupancy Agreement. Memberships in the Corporation which are reacquired by the Corporation shall be reissued only in connection with the execution and delivery by the Corporation of an Occupancy Agreement.

4.3. Application for Membership.

Applications for Membership shall be presented on a form prescribed by the Board of Directors, and all such applications shall be acted upon promptly by the Board of Directors.

4.4. Authorized Memberships.

The number of Memberships of the Corporation is One Hundred and Three (103).

4.5. Membership Certificates.

A Membership certificate shall be issued to each Member in such form as shall be approved by the Board of Directors. The Membership certificate shall state (i) that the Corporation is organized under the laws of the State of California as a nonprofit mutual benefit corporation, (ii) the name of the registered holder of the Membership represented thereby, (iii) the Corporation lien rights as against such Membership as set forth in Section 4.7 below, and (iv) the preferences and restrictions applicable thereto. Membership certificates shall be consecutively numbered, and shall be issued upon certification as to full payment. Every Membership certificate shall be signed by the President or a Vice-President, and the Secretary or Treasurer, or Assistant Secretary or Assistant Treasurer, and if the Corporation has a corporate seal, the certificate may be sealed with the corporate seal. The owner or owners of a Membership shall, for the purposes of these Bylaws, regardless of the number of owners, be deemed to be the holder of one Membership.

4.6. Lost or Destroyed Membership Certificates.

The holder of any Membership certificate shall immediately notify the Corporation of any loss or destruction of such certificate. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation and alleged to have been destroyed or lost upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its sole discretion, and as a condition precedent to the issuance thereof, require the registered owner or owners of such lost or destroyed certificate or certificates, or such owner's or owners' legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Corporation a bond in such sum as the Board of Directors may require as indemnity against any claims that may be made against the Corporation.

4.7. Corporation's Lien/Assessments.

The Corporation shall at all times have a lien on the outstanding Memberships in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever and whether arising from any assessments levied upon such Memberships, or otherwise arising, and including any sums due under any Occupancy Agreement. Any assessment levied upon the Memberships shall constitute a

lien upon such Memberships assessed from the time of adoption of the resolution levying the assessment.

Unless and until the Member shall default in the payment of assessments, carrying charges or other charges, or in the performance of any of the covenants or conditions of these Amended Bylaws, the Occupancy Agreement, or the Rules (including, without limitation, the Senior Housing Residency Restrictions), or shall default in the payment of any other indebtedness or obligation of such Member to the Corporation, said Membership shall continue to stand in the name of the Member upon the books of the Corporation, and the Member shall be entitled to exercise the right to vote said Membership as though said lien did not exist.

The Corporation shall have the right, but not the obligation, to issue to any purchaser of a Membership, upon the enforcement by the Corporation of such lien, a new certificate evidencing the Membership so purchased, and thereupon, the certificate for said Membership theretofore issued to such defaulting Member shall become void and, if not then in the possession of the Corporation, shall be surrendered to the Corporation; but the failure of a defaulting Member to surrender such certificate shall not affect the validity of the new certificate issued in replacement thereof.

4.8. Transfer of Membership.

Except as herein provided, Memberships shall not be transferred or otherwise assigned, pledged or hypothecated without the prior written consent of the Corporation.

4.8.1. Transfer Into Revocable Trust During Member's Lifetime.

Notwithstanding any other provision of these Bylaws or of the Occupancy Agreement applicable to a Unit, a Member may transfer his or her Membership to a revocable trust during that Member's lifetime, and assign the appurtenant Occupancy Agreement to such trust without the prior consent of the Corporation provided (i) prior written notice of the Member's intention to transfer is given to the Corporation together with a "Certification of Trust" as described in Section 4.1.4.(i) above, (ii) such other documents as may be required by the Corporation are provided, which may include a "Trust Recognition Agreement" executed in favor of the Corporation, and (iii) such Member is named as the Designated Occupant and executes a new Occupancy Agreement, which Agreement shall also be executed by the trustee. If the person who is the trustee is not also the Designated Occupant, such person shall waive, in a manner prescribed by the Corporation, any rights to occupy the Unit and any and all rights to use and enjoy the community and recreational facilities, if any, provided by the Corporation. If required by the Corporation, the Trust Recognition Agreement shall be in such form as may be

determined by the Corporation from time to time, shall be executed and provided to the Corporation prior to transfer of the Membership and execution of a new Occupancy Agreement, and shall provide that the trustee recognizes the Corporation's interests in the Membership and the appurtenant Occupancy Agreement. All other transfers to a revocable trust during a Member's lifetime shall require the prior written consent of the Corporation. The Member shall be responsible for any attorneys' fees and costs incurred by the Corporation in connection with the transfer of his or her Membership to a revocable trust.

4.8.2. Death of Member.

Within sixty (60) days after the distribution of the estate of a deceased Member, or, if the Member was a trustee, termination of the trust or death of the life tenant, and prior to occupying the Unit of such Member, the legatee, distributee, trustee or trust beneficiary of a Membership in the Corporation (1) must file an application for Membership in accordance with Section 4.3 of these Amended Bylaws, (2) must be approved for Membership by the Board of Directors, (3) must designate a Designated Occupant and execute an Occupancy Agreement in accordance with Section 4.1 of these Amended Bylaws (which Occupancy Agreement shall also be executed by the Designated Occupant), and (4) must pay all amounts due the Corporation by the Member. If the legatee, distributee, trustee or trust beneficiary fails to comply with the foregoing requirements, the Corporation shall have an option to purchase the Membership from the legatee, distributee, trustee or trust beneficiary in the manner provided in Section 4.8.3. The legatee's, distributee's, trustee's or trust beneficiary's failure to comply with the foregoing requirements shall be deemed equivalent to notice of intent to withdraw. If the Corporation does not exercise this option, the provisions of Section 4.8.4 shall be applicable, with the references to "Member" therein to be construed as references to the legal representative of the deceased Member or trustee, as applicable.

4.8.3. Option of Corporation to Purchase.

If the Member desires to sell the Membership in the Corporation, such Member shall notify the Corporation in writing of such intention, and the Corporation shall have an option for a period of thirty (30) days thereafter, but not the obligation, to purchase the Membership, together with all of the Member's rights, with respect to the Unit, at an amount to be determined by the Corporation as representing the transfer value thereof as provided in Section 4.8.5, less any amounts due by the Member to the Corporation under the Occupancy Agreement or otherwise, and less the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the Unit in suitable condition for another occupant. The

purchase by the Corporation of the Membership will immediately terminate the Member's rights and the Designated Occupant's rights, if any, and the Member and the Designated Occupant and all other occupants shall forthwith vacate the Unit.

4.8.4. Procedure Where Corporation Does Not Exercise Option.

If the Corporation waives, in writing, its right to purchase the Membership under the foregoing options, or if the Corporation fails to exercise such option within the thirty (30) day period, the Member may sell the Membership to any transferee who has been duly approved by the Corporation as a Member in accordance with Section 4.1 of these Amended Bylaws; provided, however, that the Corporation in approving a proposed transferee shall not act contrary to any applicable federal, state or local law or regulation prohibiting discrimination based on sex, race, color, familial status, religion, ancestry, national origin, disability, or medical condition. If the Corporation agrees, at the request of the Member or the Member's duly authorized agent, to assist the Member or agent in selling the Membership or finding a purchaser thereof, the Corporation shall be entitled to charge the Member a fee it deems reasonable for this service. After the transferee has been approved for Membership and has executed the prescribed Occupancy Agreement and caused the Designated Occupant to execute such Occupancy Agreement (if the transferee will not be the Designated Occupant), the departing Member shall be released of all obligations under the Occupancy Agreement; provided the departing Member has paid all amounts due the Corporation to date.

4.8.5. Transfer Value.

Whenever the Board of Directors elects to purchase a Membership, the term "transfer value" shall mean the fair market value of the Membership and the appurtenant rights of occupancy of the Unit and use of the community and recreational facilities of the Mutual, if any, not including reimbursement of any membership fee paid by the Member to the Golden Rain Foundation of Walnut Creek.

In the event the Corporation and the Member, or the Member's personal representative, cannot agree upon transfer value within fifteen (15) days after Corporation exercises its option to purchase the Membership, the issue shall be determined by binding arbitration in Contra Costa County, California, under the jurisdiction of the American Arbitration Association or Judicial Arbitration Mediation Service ("JAMS") or a successor or comparable organization.

4.9. Termination of Membership for Cause.

A default under the Occupancy Agreement, including a default by a Designated Occupant, shall be grounds for termination of a Membership. In the event of such a default, no Membership may be terminated unless the Member has been provided an opportunity to be heard, orally or in writing, before the Board of Directors. At least fifteen (15) days before the hearing date, the Corporation shall notify the Member of the nature of the default, the effective date of termination of the Membership, and the hearing date. Such hearing date shall be held not less than five (5) days prior to the effective date of termination of the Membership. Termination of a Membership by the Corporation for cause under this Section 4.9 does not constitute a disciplinary measure under Section 11.1.4 of these Amended Bylaws.

If the Board terminates the Membership, the Member shall be required to promptly deliver to the Corporation the Member's membership certificate and Occupancy Agreement, both endorsed in such manners as may be required by the Corporation, and possession of the Unit. If the Membership is thus terminated, no party so affected shall have any rights to use any of the Corporation's facilities. The Corporation shall thereupon, at its election (1) repurchase said Membership at its transfer value (as determined in accordance with Section 4.8.5 above), or (2) proceed with reasonable diligence to effect a sale of the Membership to a purchaser and at a sale price acceptable to the Corporation. The terminated Member shall be entitled to receive the amount so determined, less the following amounts (with the determination of such amounts by the Corporation to be controlling and conclusive):

- (a) Any amounts due the Corporation from the Member under the Occupancy Agreement;
- (b) The cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishings, and such repairs and replacements as are deemed necessary by the Corporation to place the Unit in suitable condition for another occupant; and
- (c) Legal and other expenses incurred by the Corporation in connection with the default of such Member, and the resale of the Membership.

In the event the terminated Member for any reason should fail for a period of ten (10) days after demand to deliver to the Corporation such Member's endorsed Membership certificate, said Membership certificate shall forthwith be deemed to be canceled and may be reissued by the Corporation to a new purchaser.

4.10. Liquidation Rights.

In the event of any voluntary or involuntary dissolution of the Corporation, the fair market value of each real estate parcel within the Project shall be determined by the Board. The fair market value of each Unit shall be determined by the Board through an independent M.A.I. appraisal and shall include any existing mortgage indebtedness attributable to that Unit. The fair market value of all parcels shall then be aggregated to calculate the total fair market value of the entire Corporation. The appropriate percentage of the total fair market value shall then be attributed to each separate parcel and distributed among the Members having dwelling Units in that parcel, after payment of any amount(s) that may remain due under any mortgage obligation on that parcel.

4.11. National Housing Act Financing.

The following provisions shall apply where a Member has financed acquisition of a Membership under Section 203(n) of the National Housing Act and the regulations promulgated thereunder. In the event of a conflict between a provision of this Section 4.11 and any other provision of these Amended Bylaws, this Section 4.11 shall prevail.

(a) Either the Secretary of the Department of Housing and Urban Development (hereinafter "HUD Secretary") or a mortgagee under a mortgage insured under Section 203 (n) of the National Housing Act (hereinafter "Section 203 (n)"), shall be a Member of this Corporation for so long as either owns a Membership.

(b) A mortgage insured under Section 203 (n) shall have a first lien upon the Membership certificate which is the subject of such mortgage.

(c) The HUD Secretary may exercise all voting rights attributable to each Membership owned by the Secretary.

(d) The HUD Secretary may designate an agent as proxy for the purpose of exercising the voting rights of the Secretary which are attributable to each Membership certificate owned by the HUD Secretary.

(e) The HUD Secretary may cease making monthly payments attributable to any Unit for which the Secretary owns a Membership six (6) months after the HUD Secretary notifies the Corporation to sell the Membership, or, upon default by the Corporation on the blanket mortgage covering the Unit.

(f) The HUD Secretary or a mortgagee shall not be obligated to make payments to the Corporation for any amounts unpaid by a mortgagor under a mortgage insured under Section 203 (n) prior to the date the HUD Secretary or the mortgagee

becomes the owner of the Membership.

4.12. Share Loans.

4.12.1. In General.

Notwithstanding any other provision contained herein, the Corporation shall have the right, but not the obligation, to enter into agreements with lenders whereby such lenders provide financing or refinancing to Members secured by their Memberships and Membership certificates in the Corporation ("Share Loans"). The Share Loans, if authorized by the Corporation as permitted by this Section 4.12, may also be secured by the Member's interest under the Occupancy Agreement.

4.12.2. Liens Created by Share Loans.

Any liens created by Share Loans shall be subordinate and subject to the lien of the Department of Housing and Urban Development ("HUD") insured first mortgage or any other first mortgage maintained on all or a portion of the Project thereof, if any, and the rights, if any, of the Federal Housing Administration under the Regulatory Agreement executed by the Corporation and the Federal Housing Administration and incorporated by reference in the HUD-insured first mortgage on all or a portion of the Project, if any.

4.12.3. Recognition of Corporation's Interests in the Membership and Occupancy Agreement.

Lenders providing Share Loans shall acknowledge and recognize the Corporation's rights and interests in the borrower's Membership, Membership certificate, and appurtenant Occupancy Agreement in a form acceptable to the Corporation, and execute such further documents as may be reasonably required by the Corporation.

4.12.4. Attorneys' Fees and Costs Incurred by the Corporation.

Any and all attorneys' fees and costs incurred by the Corporation on account of a Share Loan applied for or obtained by a Member shall be borne by the Member and reimbursed to the Corporation at or prior to the closing of the Share Loan.

**ARTICLE 5 MEMBERSHIP IN GOLDEN RAIN FOUNDATION
 OF WALNUT CREEK**

Membership in the Golden Rain Foundation of Walnut Creek (the "Foundation") and the voting rights and privileges of members of the Foundation shall be as prescribed in the Foundation's governing documents, as amended from time to time. No Member of the Corporation shall transfer any membership and/or interest in the Foundation except in compliance with the provisions of the Foundation's governing documents.

Members of the Foundation shall be required to pay assessments, fees and other charges to the Foundation and comply with the rules and restrictions of the Foundation in compliance with the Foundation's governing documents. The sum for the charges that the Corporation is required to pay to the Foundation as the Corporation's pro rata share (based on the number of Units within the Project) or that the Member is required to pay to the Foundation in accordance with this Article 5 for services provided by the Foundation for the benefit of the Corporation and/or its Members shall be added to the Corporation's budget and charged to the Corporation's Members in accordance with Section 11.1.13 below and the Occupancy Agreement.

ARTICLE 6 SENIOR HOUSING

The Project is a "senior citizen housing development" as defined in California Civil Code section 51.3(b)(3) and is operated as "Housing for Older Persons" as defined in the United States Fair Housing Amendments Act of 1988, 42 U.S.C.S. section 3607(b)(2). Occupants, including guests, of each Unit shall be subject to the age and other restrictions set forth in the "Senior Housing Residency Restrictions" adopted by the Board in compliance with applicable federal and California law as those laws may be amended from time to time.

ARTICLE 7 MEMBERSHIP MEETINGS AND MEMBERSHIP VOTES

7.1. Voting.

Only "Members in Good Standing" shall be entitled to vote on any issue or matter presented to the Members for approval or Membership vote. "Member in Good Standing" shall mean a Member of the Mutual who is current in the payment of all assessments, carrying charges, fines, penalties, and other charges imposed in accordance with the Occupancy Agreement, these Amended Bylaws and the Rules (including, without limitation, the Senior Housing Residency Restrictions), and who is in compliance with all of the provisions of the foregoing documents. Members in Good Standing shall be entitled to cast

one (1) vote for each Membership owned, however as provided in Section 7.8.2 below, each Membership has only a single vote, regardless of the number of owners of such Membership. A Member's "good standing" shall be determined as of the record date established in accordance with Section 7.12 of these Amended Bylaws. The vote at any meeting of Members may be by voice vote or by ballot, as determined by the Mutual's Board of Directors.

7.2. Annual Meetings.

The annual meeting of the Members shall be held during the month of May of each year, on a date and at a time and place to be designated by the Board of Directors, upon proper written notice to all of the Members. At such meeting there shall be installed those directors elected in accordance with the requirements of Section 8.3 of these Amended Bylaws.

At an annual meeting, if less than one-third (1/3) of the total voting power is present in person or by proxy, the agenda shall be limited to the item or items specified in the notice of the meeting.

No action may be taken at an annual meeting on the following matters unless the general nature of any proposal relating thereto was stated in the notice of the meeting:

- (a) Removal of a director,
- (b) Approval of a transaction between the Corporation and one or more directors,
- (c) Approval of amendments to the Articles of Incorporation, and
- (d) Approval of amendments to the Bylaws.

If present and provided there is a HUD-insured first mortgage on all or a portion of the Project, a representative of HUD will be given an opportunity to address any annual Membership meeting.

7.3. Special Meetings.

A special meeting of Members may be called at any time:

- (a) by the President,
- (b) by the Board of Directors,

(c) by written request of members representing at least five percent (5%) of the total membership, which request shall specify the purpose (or purposes) of the meeting, or

(d) provided there is a HUD-insured first mortgage on all or a portion of the Project, at the request of the Federal Housing Commissioner or the Commissioner's duly authorized representative.

If present and provided there is a HUD-insured first mortgage on all or a portion of the Project, a representative of HUD will be given an opportunity to address any special membership meeting.

7.4. Place of Meetings.

Membership meetings shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

7.5. Notice of Meetings.

7.5.1. Notice to Members.

Written notice of each meeting of the Members shall be given by or at the direction of the Secretary or other person authorized to call a meeting. Written notice shall be mailed first class, postage prepaid, or otherwise delivered at least ten (10) but not more than ninety (90) days before such meeting, to each Member entitled to vote at such meeting, except that in the case of a special meeting called pursuant to a written request of Members as provided in Section 7.3.(c) above or at the request of the Federal Housing Commissioner or the Commissioner's duly authorized representative as provided in Section 7.3.(d) above, notice of such special meeting shall be mailed or otherwise delivered within twenty (20) days after receipt of such written request by the Board, and the date of such special meeting shall be set by the Board and shall be not sooner than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of such written request. Notice of meetings shall be addressed or otherwise delivered to the Member's address last appearing on the books of the Corporation or supplied by such Member to the Corporation for the purpose of notice. Notice of any meeting of Members shall specify the date, hour, and place of the meeting, and the general nature of those matters which the Board intends to present for action by the Members.

7.5.2. Notice to HUD.

For so long as there is a HUD-insured first mortgage on all or a portion of the Project, notices of all meetings shall be mailed to the Director of the local insuring office of HUD.

7.6. Quorum.

The presence at any meeting, in person or by proxy, of at least twenty-five percent (25%) of Members entitled to cast votes shall constitute a quorum for the transaction of any business, except as otherwise provided by law. If such quorum is not present or represented at any membership meeting, the Members otherwise entitled to vote at that meeting shall have power to adjourn the meeting from time to time, to be reconvened at a later time that day or on a later date, without notice other than announcement at the meeting, until a quorum shall be present or represented. In the absence of a quorum, no business other than adjournment may be transacted. At the continuation of any meeting so adjourned, the presence in person or by proxy of at least twenty percent (20%) of Members entitled to cast votes shall constitute a quorum, except as otherwise provided by law. Notwithstanding the foregoing, any proper matter may be presented at the meeting for action by the Members, except that if the meeting is actually attended, in person or by proxy, by less than one-third (1/3) of the total voting power of the Corporation, the Members can act only on matters the general nature of which has been set forth in the notice of such meeting.

7.7. Conduct of Meetings.

All meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Corporation may adopt. As required by *Civil Code* section 1363.05, a reasonable time limit for all Members to speak at a meeting of the Members shall be established by the Board of Directors.

7.8. Voting.

7.8.1. In General.

Each Member in Good Standing (as defined in Section 7.1 above) shall have the right to cast one (1) vote on each question and never more than one (1) vote, which vote may be cast in person, by proxy, or by written ballot as designated by the Board of Directors as provided in Section 7.9 below. Elections of directors may be conducted by written ballot without a meeting in accordance with Section 7.9.3 or at a Membership meeting as provided in Section 8.3. Removal of directors shall be in

accordance with Section 8.5.

7.8.2. Multiple Members or Owners.

In the event more than one person (*i.e.*, Member) owns a single Membership, the vote for such Membership shall be exercised as the Members among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any Membership. If the joint owners of a Membership are unable to agree among themselves as to how their vote is to be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Membership or Manor, it will be conclusively presumed for all purposes that such Member was acting with the authority and consent of the other Members or owners of such Membership.

7.8.3. Establishing Quorum.

A Member voting by mail or as designated by the Board of Directors shall be deemed to be present for the purposes of establishing a quorum where the Member's ballot has been received by the Secretary of the Corporation prior to the time of the meeting at which the vote is to be made.

7.8.4. Act of the Members.

If a quorum is present, in person or by proxy, the affirmative vote of a majority of the voting power so present and voting on any matter (provided a quorum is present) shall constitute the act of the Members, unless the approval of a greater number or proportion of Members is required by any provision of the Articles of Incorporation, these Amended Bylaws or of law.

7.9. Action By Written Ballot Without A Meeting.

7.9.1. In General.

Any action which may be taken at a regular or special meeting may be taken without a meeting of Members, if the Corporation distributes a written ballot to every Member entitled to vote pursuant to *Corporations Code* section 7513 and these Amended Bylaws. A "written ballot" for purposes of Articles 7 and 8 does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

7.9.2. Written Ballots for Member Actions Other Than Director Elections.

In the case of any written ballot distributed to vote on matters other than the election of Directors, the ballot solicitation or written ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the written ballot to the Corporation, which shall be a date not earlier than thirty (30) days after distribution of the written ballot to the Members. Such ballot solicitation or written ballot shall also identify both the number of responses needed to meet the quorum requirement and the percentage and/or number of approvals necessary to pass the measure submitted. Approval by written ballot shall be valid only when the number of votes cast equals or exceeds the quorum that would be required if the action were taken at a meeting, and the number of approvals equals or exceeds the number of votes that would be required to approve the action if it were taken at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

7.9.3. Elections of Directors.

Elections of Directors may, in the Board's discretion, be conducted by written ballot without a meeting. In the case of any written ballot distributed to vote on the election of Directors, the notice of election, ballot solicitation or written ballot shall list the names of all persons known by the Board of Directors to be candidates for election to the Board. Such notice, written solicitation or written ballot shall also identify the time by which the written ballot must be received by the Corporation in order to be counted, which deadline shall be the date of the annual or special meeting.

7.10. Proxies Generally.

At all meetings of the Members, each Member in Good Standing (as defined in Section 7.1 above) may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary. Every proxy shall be revocable. Any proxy duly executed is not revoked and continues in full force and effect until an instrument revoking it or a duly-executed proxy bearing a later date is filed with the Secretary of the Corporation; except that no proxy shall be valid after the expiration of eleven (11) months from the date of its execution.

7.11. Form of Proxy. A proxy covering any of the following matters shall not be valid unless it sets forth the general nature of the matter to be voted on:

- (a) removal of any or all directors pursuant to *Corporations Code* section 7222;

- (b) filling a vacancy on the Board created by the removal of a director or to fill a vacancy not filled by the directors pursuant to *Corporations Code* section 7224;
- (c) voting on a transaction involving an interested director pursuant to *Corporations Code* section 7233;
- (d) amending the Articles of Incorporation or the Bylaws to repeal, restrict, create, or expand proxy rights pursuant to *Corporations Code* section 7613(f)(1);
- (e) amending the Articles of Incorporation pursuant to *Corporations Code* section 7812;
- (f) voting on the sale or exchange of all or substantially all of the Corporation assets pursuant to *Corporations Code* section 7911(a)(2);
- (g) voting on a merger pursuant to *Corporations Code* section 8012;
- (h) voting on amendments to principal terms of a merger agreement pursuant to *Corporations Code* section 8015(a);
- (i) voting to wind up or dissolve the Corporation as a corporation pursuant to *Corporations Code* section 8610; and
- (j) voting on a plan of distribution of Corporation assets in the event of dissolution pursuant to *Corporations Code* section 8719.

Any form of proxy distributed to 10 or more Members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited and shall provide, subject to reasonable specified conditions, that where a choice is specified the vote shall be cast in accordance with that choice.

7.12. Record Date.

7.12.1. Determined by Board of Directors.

For the purpose of determining which Members are entitled to receive notice of any meeting or to vote, the Board of Directors may fix, in advance, a "record date," which shall not be more than thirty-one (31) nor fewer than twenty-one (21) days

before the date of any such meeting or vote by written ballot. Only Members of record on the date so fixed are entitled to notice or to vote, as the case may be, and only Members in Good Standing (as defined in Section 7.1 above) as of the record date shall be entitled to vote, notwithstanding any transfer of any Membership on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation or in the California Nonprofit Mutual Benefit Corporation Law.

7.12.2. Failure of Board to Determine Date.

In the event no record date is fixed by the Board of Directors, the record date for the determination of Members entitled to notice of and to vote at any meeting or otherwise shall be the next business day preceding the day on which notice is given, or, if notice is waived, the next business day preceding the day on which the meeting or vote is held.

ARTICLE 8 BOARD OF DIRECTORS; ELECTION; TERM OF OFFICE

8.1. Number.

The affairs of the Corporation shall be governed by or under the direction of a Board of five (5) Directors.

8.2. Qualification and Disqualification of Directors.

Only natural persons who are Members in Good Standing (as defined in Section 7.1 of these Amended Bylaws) and who reside in a Unit shall be eligible to be elected to or serve on the Board. A person shall be deemed disqualified under the following circumstances: (i) the person is found by a court of competent jurisdiction to be of unsound mind or has been convicted of a felony, (ii) the person fails, within sixty (60) days after receiving notice of their election, to accept such office, either in writing or by attending a meeting of the Board of Directors as a Director, (iii) the person is absent from three (3) consecutive meetings of the Board, (iv) the person ceases to be a Member in Good Standing, or (v) the person ceases to be a resident of the Project.

8.3. Election and Term of Office.

Elections of Directors may be conducted annually by written ballot without a meeting pursuant to Section 7.9.3 of these Amended Bylaws and *Corporations Code* section 7513 or at a Membership meeting, as determined by the Board. The Members shall, in alternate years, elect two (2) Directors, two (2) Directors, and one (1) Director,

respectively, for terms of three (3) years each to fill the terms of Directors then expiring. Cumulative voting shall not be permitted. Each Director shall serve until the expiration of his or her term and thereafter until a successor is elected, or until the earlier disqualification, death, resignation, or removal of such Director.

8.4. Casting Votes.

At each election of Directors, the Members in Good Standing may cast, in respect to each position on the Board to be filled, one vote for each Membership owned. The persons receiving the largest number of votes shall be elected. Cumulative voting shall not be permitted. In case of a tie for any position, the tie shall be broken by lot (*e.g.*, by the candidates drawing straws).

8.5. Removal of Directors.

Any Director may be removed from the Board of Directors, with or without cause, by the vote of a majority of the Members voting in person or by proxy, provided that a quorum is present (sometimes referred to as a "majority of a quorum" or a "simple majority"). No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of that Director's term of office.

8.6. Vacancies.

A vacancy shall exist on the Board of Directors in the event of the disqualification, death, resignation, or removal of any Director, or if the authorized number of Directors is increased, or if the Members fail to elect the full authorized number of Directors. A reduction in the authorized number of Directors shall not cause removal of a Director prior to the expiration of such Director's term. The Board of Directors, by a majority vote of the Directors who meet all of the qualifications for Directors as set forth in Section 8.2 above, may declare vacant the office of any Director who fails or ceases to meet any required qualification that was in effect at the beginning of that Director's current term of office.

8.7. Filling Vacancies.

Any vacancy occurring on the Board of Directors, except a vacancy created by the removal of a Director by vote of the membership, may be filled by approval of the Board of Directors, or if the number of Directors then in office is less than a quorum, by the vote of a majority of the remaining Directors at a meeting of the Board, or by unanimous written consent of the Directors then in office, or by a sole remaining Director. A Director so chosen shall serve the remainder of the term of office of the Director who is being replaced. The Members may elect a Director at any time to fill any vacancy not filled by

the Directors. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board (or, if the Board fails to act, the Members) may elect a successor to take office when the resignation becomes effective.

8.8. Compensation.

No Director shall receive compensation for any service the Director may render to the Corporation as a Director. However, upon approval by the Board, any Director may be reimbursed for expenses actually incurred in the performance of that Director's duties as a Director. No remuneration shall be paid to a Director for services performed by the Director for the Corporation in any other capacity, unless the material facts as to the transaction shall have been fully disclosed or known to the Board and a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. The interested Director shall abstain from the deliberations and vote on the transaction. For so long as there is a HUD-insured first mortgage on all or a portion of the Project, no remuneration or compensation shall, in any case, be paid to a Director without the approval of the Department of Housing and Urban Development. A Director may not be an employee of the Corporation.

ARTICLE 9 NOMINATION OF DIRECTORS

9.1. In General.

All nominations of candidates for election to the Board of Directors shall be made from among Members in Good Standing who also reside in a Unit at the Project. If an election is conducted at a Membership meeting (and not by written ballot in accordance with Section 7.9.3), nominations may also be made from the floor of the meeting.

9.2. Nomination Procedures.

The Board shall establish a reasonable procedure for (i) nominations of Directors, and (ii) providing nominees an opportunity to communicate with Members and to solicit votes.

9.3. Names of Candidates.

The names of all persons known by the Board to be candidates for election to the Board, as of the published deadline for nominations, shall be set forth in the notice of the election, ballot solicitation or written ballot distributed to the Members in accordance with Section 7.9.3.

9.4 Petitions.

Any Member may sign a petition for nomination of a candidate or for consideration of an issue in an election, but only one signature per Membership shall be counted in determining the petition's eligibility or the number of signatures it contains.

ARTICLE 10 MEETINGS OF DIRECTORS

10.1. Organization Meeting.

As soon as possible after the annual election, but in any event within thirty (30) days after each annual meeting of Members, the Board of Directors shall hold a meeting for the purpose of organization, election of officers, and transaction of other business, as appropriate.

10.2. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such intervals as the Board may determine, but not less frequently than quarterly, at a place within or reasonably close to the Project, and on a day and at a time as fixed from time to time by resolution of the Board. If the date, place and time for regular meetings has not been set by Board resolution, a written notice of such meeting, which conforms to the provisions of Section 10.4 of these Amended Bylaws, shall be given to each Director, provided however that written notice need not be given to any Director who has signed a waiver of notice or written consent to holding the meeting. Should the date for any meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday or such other date set by the Board.

10.3. Special Meetings.

Special meetings of the Board of Directors shall be held when called by the President of the Corporation or by any two (2) Directors.

10.4. Notice to Directors.

Except as otherwise provided in Section 10.2 of these Amended Bylaws, notice of each meeting of the Board shall be communicated to the Directors not less than four (4) days prior to a regular meeting, and not less than seventy-two (72) hours prior to a special meeting; provided that shorter notice may be given in the case of a bona fide emergency; and provided further that notice of a meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the meeting, whether before or after the

meeting.

10.5. Notice to Members.

Except for bona fide emergency meetings and executive sessions, as defined by law, at least four (4) days prior written notice of the day, time, and place of each meeting of the Board of Directors, whether regular or special, shall be given to all Members in one or more of the following manners: (i) by posting the notice in a prominent place or places within the Project, (ii) by mail or delivery to each Unit, (iii) by publishing the notice in the *Rossmoor News* or a newsletter, or (iv) by other means of communication reasonably designed to provide prior actual notice of such meeting.

10.6. Open Meeting.

Regular and special meetings of the Board of Directors shall be open to all Members of the Corporation, except when the Board meets in executive session. A reasonable time limit for Members to speak to the Board of Directors at regular and special Board meetings shall be established by the Board.

10.7. Executive Session.

The Board of Directors may meet in executive session to confer with legal counsel or to discuss and vote upon personnel matters, Member discipline, litigation in which the Corporation is or may become involved, and matters that relate to the formation of contracts between the Corporation and others. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person(s) whose participation is, in the judgment of the Board, necessary or appropriate, shall be entitled to attend the executive session.

10.8. Telephone Participation.

Directors may participate in regular or special Board meetings through the use of conference telephone, electronic video screen communications, or other communications equipment to the extent permitted by law, including, without limitation, *Corporations Code* section 7211 and *Civil Code* section 1363.05.

10.9. 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, without protesting prior thereto or at commencement the lack of notice, shall be a waiver of notice by such

Director of the time and place thereof. If all the Directors are present at any meeting of the Board, and have waived notice thereof, any business may be transacted at such meeting. All such waivers shall be filed with the Corporation's records or be made a part of the minutes of the meeting.

10.10. Quorum.

A majority of the number of Directors then in office shall constitute a quorum for the transaction of business. Every act or decision done or 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.

10.11. Action Without Meeting.

Any action by the Board of Directors may be taken without a meeting if all of the members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

10.12. Minutes of Meetings of Directors.

Written minutes shall be kept for all Board meetings. Any matter discussed in an executive session shall be generally noted in the minutes of the Board and minutes of executive sessions shall not otherwise be required. Within thirty (30) days after the date of any meeting of the Board, the Board shall make available to the Members either (i) the minutes of that meeting as adopted by the Board, (ii) those minutes as proposed for adoption which shall be marked to indicate draft status, or (iii) a summary of the minutes. Copies of the minutes, proposed minutes, or summary of minutes shall be provided to any Member of the Corporation upon request and upon reimbursement of the Corporation's costs in providing such copies. Members of the Corporation shall be notified annually in writing either at the time that the pro forma budget required under section 1365 of the *Civil Code* is distributed or at the time of any other general mailing to the entire membership of the Corporation of their right to obtain copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

ARTICLE 11 DUTIES AND POWERS OF THE BOARD

11.1. Powers.

In addition to such other powers as may be expressly set forth in the Corporation's governing documents (including the rules and regulations adopted from time to time by the Board), the HUD Regulatory Agreement, if any, or provided by law, the Board of Directors shall have the power to:

11.1.1. Rules and Regulations.

Adopt, publish, amend, and enforce the Senior Housing Residency Restrictions and adopt, publish, amend, repeal and enforce Rules governing the administration, management, operation, use, and occupancy of the Project. Such rules and regulations may concern, but need not be limited to, matters pertaining to (i) common areas and community facilities, including exclusive use common area, (ii) the personal conduct of the Members and their subtenants and guests within the Project, (iii) pets and other animals, (iv) signs, (v) safety, (vi) collection and disposal of refuse, (vii) maintenance, repair and replacement of common area, including exclusive use common area, and Units and responsibility therefor, (viii) facilities, (ix) parking and traffic regulations, (x) occupancy of Units within the Project, (xi) subleasing of Units within the Project, and (xii) any other subject matter within the jurisdiction of the Corporation as provided in the Occupancy Agreement, the Articles of Incorporation, these Amended Bylaws or by law.

11.1.2. Contracts.

Authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Corporation. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Corporation or to render the Corporation liable for any purpose or on any account.

11.1.3. Determination of Good Standing.

Determine, after notice to the Member and an opportunity for a hearing by the Board, that a Member is not a Member in Good Standing during any period in which the Member is in default in the payment of any assessment, fine, or other charge levied by the Board or is in violation of any provision of the Occupancy Agreement or the Corporation's governing documents (including the Rules); however, a Member shall not be deemed to not be a Member in Good Standing except upon an explicit finding by the Board of Directors, after notice and an opportunity for a hearing, that a Member is not a Member in Good Standing for specified reasons. A Member found

by the Board to not be a Member in Good Standing shall be deemed to continue in that status until the Board shall make a determination, either upon the Board's own initiative or upon the request of the Member, that such Member is, once again, a Member in Good Standing of the Corporation.

11.1.4. Sanctions; Hearings; Continuing Violations.

Establish and impose monetary penalties (fines) for the infraction of any provision of the Occupancy Agreement or the Corporation's governing documents (including the Rules), in accordance with a schedule of monetary penalties (or "Fining Policy") adopted by the Board, and distributed to all Members, such fines or penalties not to exceed a maximum of One Hundred Dollars (\$100.00) for each violation, and suspend the voting or other rights and privileges of a Member during any period in which such Member shall be in default in the payment of any assessment, fine, or other charge levied by the Corporation, and/or for any infraction of the Occupancy Agreement or the Corporation's governing documents.

The Board shall not impose a monetary penalty or other disciplinary measure until it has first provided the affected person with a written notice stating (i) the nature of the infraction, (ii) the nature and amount of the monetary penalty or other disciplinary measure being contemplated by the Board, (iii) the date, time and place of a hearing at which the Board will consider the imposition of the monetary penalty or other disciplinary measure, (iv) the reasons for the contemplated imposition, and (v) that the affected person is entitled to attend the hearing and to address the Board concerning the alleged infraction and potential monetary penalty or other discipline. The written notice shall be sent first class, certified mail, return receipt requested, postage prepaid at least ten (10) days prior to the hearing. The Board shall hold the hearing in executive session if requested by the Member being disciplined. In the event the Board decides to impose a monetary penalty or other disciplinary measure, it shall notify the affected person in writing within fifteen (15) days after the date of such decision.

Termination and sale of a Membership by the Corporation for cause as authorized by Section 4.9 does not constitute imposition of a "disciplinary measure" under this Section 11.1.4.

In the case of a continuing violation, where a Member fails to cease or remedy a violation after notice from the Board to do so, the Board may deem such continuing violation to constitute two or more separate and distinct violations of the same Occupancy Agreement or governing document provision and may impose separate, and successive sanctions for each such violation; however, the Board shall not treat any such continuing violation as a separate and distinct violation and

impose a separate sanction therefor more than once during any thirty (30) day period. It is the intent and purpose of this provision to authorize and empower the Board in exercise of its discretion to impose a monetary fine or other sanction against a Member for a continuing violation of the same Occupancy Agreement or governing document provision once during each successive thirty (30) day period, provided that each time the Board decides to impose a sanction, it shall provide the affected Member with notice and an opportunity to be heard by the Board prior to the effective date of any such sanction. The Board may limit the scope of such hearing to facts and circumstances occurring subsequent to the previous Board hearing relating to the subject continuing violation.

11.1.5. Manager.

Engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties.

11.1.6. Professional Advisors.

Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Corporation's governing documents and the law, and to pay for such professional services.

11.1.7. Investment of Reserve Funds.

Invest reserve funds in prudent investments subject to the provisions of Section 11.2.5 of these Amended Bylaws.

11.1.8. Entry for Repairs.

Enter a Unit, patio, deck (or veranda) and other exclusive use common area in the following circumstances: (i) for purposes of inspection, (ii) in the event of any emergency involving illness or potential danger to life or property, (iii) when necessary, in connection with maintenance, repair, or replacement for which the Corporation is responsible or which it is authorized to perform, or (iv) where authorized by the Occupancy Agreement. The Board shall provide the Member and/or Designated Occupant with twenty-four (24) hours notice prior to entry, except that in the case of a bona fide emergency, notice shall be given as the exigencies of the situation reasonably permit.

11.1.9. Property Taxes.

Pay all real property taxes and assessments levied upon any property within the Project to the extent not separately assessed to the Members. Provided that any such taxes are paid or that a bond insuring the payment is posted, such taxes and assessments may be contested or compromised by the Corporation prior to the sale or other disposition of any property to satisfy the payment of such taxes.

11.1.10. Property.

Acquire, own, hold, convey, transfer, dedicate, or otherwise dispose of real or personal property consistent with the purposes and powers of the Corporation and the management, administration, and operation of the Project or the business and affairs of the Corporation, and grant and convey easements, licenses, and rights of way in, over, upon, or under the Project.

11.1.11. Indemnification of Agents.

The Board shall have the power to indemnify and hold harmless "agents" of the Corporation (as such term is defined in *Corporations Code* section 7237), to the maximum extent permitted by law; provided, however, that for so long as there is a HUD-insured mortgage on all or any portion of the Project and notwithstanding any provision contained elsewhere in these Bylaws and/or the Corporation's Articles of Incorporation, and rules, regulations and policies, indemnifying and holding harmless "agents" of the Corporation (as such term is defined in *Corporations Code* section 7237) is allowed only to the extent mandated (not permitted) by California law and/or to the extent that it is limited to liability insurance that is approved by HUD in writing.

11.1.12. Bank Accounts, Borrowing.

Open bank accounts, designate signatories upon such bank accounts, and borrow money on behalf of the Corporation, subject to any restrictions set forth in these Amended Bylaws.

11.1.13. Assessments.

Except where the Members are granted the power by law, the Board of Directors on behalf of the Corporation is hereby granted the power, authority and duty to levy and collect annual and special assessments upon all of the memberships of the Corporation at any time issued and outstanding, but apportioned so that each Member is assessed an equal amount, for the purpose of paying (i) the expenses of

repairs, maintenance and operation of the Project, and (ii) such sums which the Board of Directors shall determine to be reasonably necessary to establish reserves and to satisfy working capital requirements. Assessments shall also include each Unit's proportionate share of mortgage (or deed of trust) principal and interest expenses, as applicable, and real property taxes and assessments. The Board of Directors, on behalf of the Corporation, shall further have the power to levy a reimbursement assessment against any Member, if a failure by such Member, or any Designated Occupant, or any other person or pet for whom the Member is responsible, has necessitated or resulted in an expenditure of funds by the Corporation to deal with such lack of compliance or to bring such Member or the Member's Unit into compliance. The Board, on behalf of the Corporation shall further have, and enjoy, in addition to any and all rights it may have by contract to collect such sums as rentals or carrying charges from Members under Occupancy Agreements, all of the rights and privileges with reference to such assessments as are fixed, provided and established with respect to California nonprofit mutual benefit corporations and "associations" and "common interest developments" under The Davis-Stirling Common Interest Development Act (*Civil Code* sections 1350 *et seq.*); and such assessments and the levy thereof, shall create a lien upon all memberships of such Members from the date of authorization thereof until payment, and, in addition, shall create a personal liability upon the Members of this Corporation for the payment thereof, which may be enforced by this Corporation by either action against such memberships, or Members, as the Board of Directors may in such case determine.

11.1.14. Other Powers and Duties.

Exercise for the Corporation all powers, duties, and authority vested in or delegated to the Corporation and not reserved to the Members by law or other provisions of the Corporation's governing documents, and undertake any action on behalf of the Corporation as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Corporation and/or the interests of the Corporation and its Members.

11.2. Duties.

In addition to such other duties as may be expressly set forth in the Articles of Incorporation, these Amended Bylaws, the Regulatory Agreement executed by the Corporation and HUD (if any), or imposed by law, the Board of Directors shall have the following duties:

11.2.1. Records and Minutes.

Cause to be kept a complete record of all its accounts and the corporate affairs, including an accurate and current record of the Members setting forth their names and addresses, adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, and committees of the Board.

11.2.2. Pro Forma Budget.

Prepare and distribute to the Members annually, a pro forma operating budget which shall conform to the requirements of *Civil Code* section 1365 and 1365.2.5 or successor statute.

11.2.3. Reserve Study.

At least once every three years in accordance with *Civil Code* section 1365.5 or successor statute, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Corporation is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements and review the reserve study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

11.2.4. Reserve Funds.

Except as provided in *Civil Code* sections 1365.5(c) and (d) or successor statute, not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair or replacement of, or litigation involving the maintenance, restoration, repair or replacement of, major components which the Corporation is obligated to maintain, restore, repair, or replace and for which the reserve fund was established.

11.2.5. Investment of Reserve Funds.

Manage and invest the Corporation's reserve funds in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the most recent reserve fund study obtained by the Board as provided in these Amended Bylaws and by law.

11.2.6. Review of Accounts.

Review the Corporation's operating and reserve accounts in accordance with at least the minimum requirements set forth in *Civil Code* section 1365.5(a) or successor statute.

11.2.7. Annual Financial Statement.

Prepare and distribute annual financial statements of the Corporation, in accordance with Section 15.3 below and *Civil Code* section 1365(b) or successor statute.

11.2.8. Notification Regarding Insurance.

In accordance with *Civil Code* section 1365, prepare and distribute to all Members a summary of the Corporation's property, general liability, and earthquake and flood insurance policies, if any. The summary shall include the name of the insurer, the type of insurance, the policy limits of the insurance, and the amount of deductibles, if any.

11.2.9. Annual Notification to Members.

Distribute to the Members annually:

(a) a statement describing the Corporation's policies and practices in enforcing lien rights and other legal remedies for default in payment of assessments as required by *Civil Code* section 1365(d);

(b) a summary of the statutory provisions relating to employing alternative dispute resolution procedures in certain matters related to enforcement of the governing documents which specifically references *Civil Code* section 1369.590(a) and which includes the language required by section 1363.850;

(c) a copy of the procedures applicable to imposition of a fine or other monetary penalty, suspension of a Member's rights and privileges, or other sanctions, pursuant to California *Civil Code* section 1363(g);

(d) a statement explaining the Members' right to obtain copies of minutes of meetings of the Board as required by *Civil Code* section 1363.05; and

(e) an annual financial report as required by *Corporations Code* section 8321.

11.2.10. Supervision.

Supervise all officers, agents and employees of the Corporation, and see that their duties are properly performed.

11.2.11. Insurance.

Procure and maintain adequate casualty, liability and other insurance on property owned by the Corporation, including:

(a) a master property insurance policy with extended coverage, including current building code and ordinance upgrades, and casualty insurance policies, in the name of the Mutual for the benefit of all Members and covering the full insurable replacement value of the Corporation's common area, property owned by the Mutual, and the Units as originally constructed;

(b) liability insurance insuring the Corporation against liability to the public or to any Member, their invitees or subtenants incident to their occupancy and/or use of the common area, with limits of liability to be set by the Board but in no event less than those set forth in *Civil Code* section 1365.7 and/or section 1365.9;

(c) workers' compensation insurance to the extent necessary to comply with any applicable laws;

(d) standard fidelity bond or fidelity and crime insurance policy covering all members of the Board of Directors and officers of the Corporation and other agents and employees of the Corporation in an amount which shall be determined by the Board of Directors;

(e) Directors and Officers liability Insurance (sometimes referred to as "D&O insurance" or "Errors & Omissions Insurance") with limits of liability to be set by the Board but in no event less than those set forth in *Civil Code* sections 1365.7 and 1365.9; and

(f) any other insurance deemed necessary or prudent by the Board of Directors of the Corporation, including but not limited to earthquake and/or flood insurance.

The premiums for any insurance obtained by the Corporation shall be a common expense of the Corporation and shall be paid for out of the operating fund of the Corporation; provided, however, that the Corporation shall have the right to enter into deductible pooling agreements and shared insurance agreements with other

mutuals in the Rossmoor community.

11.2.12. Results of Membership Vote.

For a period of sixty (60) days following the conclusion of an annual, regular, or special meeting of Members, the Corporation shall, upon written request from a Member, forthwith inform the Member of the result of any particular vote of the Members taken at the meeting, including the number of memberships voting for, the number of memberships voting against, and the number of memberships abstaining or withheld from voting. If the matter voted on was the election of directors, the Corporation shall report the number of memberships cast for each nominee for director.

ARTICLE 12 OFFICERS

12.1. Designation.

The principal officers of this Corporation shall be a President, a 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.

12.2. Election of Officers.

The officers of the Corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

12.3. Special Appointments.

The Board may elect such other officers as the affairs of the Corporation 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.

12.4. Multiple Offices.

The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 12.3.

12.5. 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 the officer's successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

12.6. Resignation of Officers.

Any officer may resign at any time by giving 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.

12.7. 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 officer he or she replaces, subject to the Board's right to remove an officer.

12.8. President.

The President shall be the chief executive officer of the Corporation. The President shall preside at all meetings of the Members and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of President of a corporation. The President shall recommend to the Board such committees as deemed appropriate, which committees shall be appointed by the Board.

12.9. Vice-President.

A Vice-President shall take the place of the President and perform the President's duties whenever the President shall be absent or unable to act. If neither the President nor a Vice-President is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. A Vice-President shall also perform such other duties as shall from time to time be imposed by the Board of Directors.

12.10. Secretary.

The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Corporation; shall have the custody of the seal of the Corporation; shall have charge of the stock transfer books and of such other books and papers as the Board of Directors may direct; and shall, in general, perform all

the duties incident to the office of Secretary.

12.11. Treasurer.

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

ARTICLE 13 COMMITTEES

13.1. Committees Appointed by Board of Directors.

The Board may appoint such committees as it deems appropriate in carrying out the powers and purposes of the Corporation. Any "committee of the Board" (that is, a committee consisting only of directors, as referred to in *Corporations Code* section 7212) shall consist of at least two (2) Directors and shall have such powers and duties as the Board shall determine, subject to the limitations of *Corporations Code* section 7212.

13.2. Foundation's Architectural Control Committee.

In addition to those committees appointed by the Board, the "Foundation's Architectural Control Committee" is appointed by and serves at the pleasure of the Golden Rain Foundation of Walnut Creek in accordance with the Establishing Agreement executed by the State Mutual Life Assurance Company of America, a Massachusetts corporation and Rossmoor Corporation, a California corporation on March 9, 1964 and entitled "Declaration of Establishment of Covenants and Restrictions" and recorded on April 14, 1964 in Book 4595 at Page 323 as Instrument No. 35948 in the Office of the County Recorder of Contra Costa County, California (the "Declaration").

ARTICLE 14 AMENDMENTS

14.1. Amendment by the Members.

These Bylaws may be amended by the affirmative vote (either at a Member meeting or by written ballot without a meeting in accordance with the requirements of Section 7.9,2 above) of two-thirds of the Members voting provided a quorum (as defined in Section 7.6) is present. If any provision of these Bylaws requires the vote of a larger proportion (or all) of the Members, such provisions may not be altered, amended or repealed except

by such vote, unless otherwise specifically provided herein.

14.2 Amendment by the Board of Directors.

The Board of Directors may, by a vote of a two-thirds (2/3) majority of all Directors, adopt amendments to these Bylaws when an amendment is needed to conform a particular provision or provisions of the Bylaws to changes in applicable California statutory law that are nondiscretionary in nature. Before entertaining a motion to approve any such amendment(s), the Board shall receive a written opinion from an attorney licensed to practice law in the state of California confirming that a change or changes in California statutory law necessitates a corresponding amendment to these Bylaws to make the affected provision(s) of these Bylaws conform to the statutory requirements, which the Mutual is bound by law to follow.

14.3. HUD Approval.

For so long as there is a HUD-insured first mortgage on the Project or any part thereof, no amendment of these Bylaws and the Articles of Incorporation of Walnut Creek Mutual No. Eight shall become effective unless and until such amendment has received the written approval of the Department of Housing and Urban Development.

ARTICLE 15 FISCAL MANAGEMENT; BOOKS AND RECORDS

15.1. Fiscal Year.

The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year, unless changed by resolution of the Board of Directors. For so long as there is a HUD-insured first mortgage on the Project or any part thereof, any change in the fiscal year of the Corporation shall require the prior written approval of the Department of Housing and Urban Development.

15.2. Books and Accounts.

For so long as there is a HUD-insured first mortgage on the Project or any part thereof, the books and accounts of the Corporation shall be kept under the direction of the Treasurer and in accordance with the Uniform System of Accounts prescribed by the Department of Housing and Urban Development Commissioner. That amount of the carrying charges required for payment on the principal of the mortgage of the Corporation, or any other capital expenditures, shall be credited upon the books of the Corporation to the "paid-in-surplus" account as a capital contribution by the Members.

15.3. Auditing.

At the close of each calendar year, the books and records of the Corporation shall be audited by a certified public accountant, selected by the Board of Directors, or for so long as there is a HUD-insured first mortgage on the Project or any part thereof, another person acceptable to the Department of Housing and Urban Development. Based on such reports, the Corporation will furnish its Members with an annual financial statement, including the income and disbursements of the Corporation. The Corporation will also supply the Members, as soon as practicable after the end of each calendar year, with a statement showing each Member's pro rata share of the real estate taxes and mortgage interest paid by the Corporation during the preceding calendar year.

15.4. Members' Inspection Rights.

The accounting books and records of the Corporation subject to Member inspection under Chapter 13 of the Nonprofit Mutual Benefit Corporation Law (*Corporations Code* sections 8310 *et seq.*), and the minute books of proceedings of the Members, the Board (not including executive session minutes, if any), and committees of the Board shall, upon written request and during reasonable hours, be subject to inspection by any Member for any purpose, specified in writing, which is reasonably related to such Member's interest as a Member of the Corporation. The Articles of Incorporation, the Bylaws and the Rules of the Corporation shall be available for inspection by any Member at the principal office of the Corporation, where copies may be purchased at reasonable cost. The Board may adopt and publish reasonable rules and regulations establishing procedures relating to a Member's inspection and obtaining copies of Corporation records.

15.5. Directors' Inspection Rights.

Every Director shall have the right, at any reasonable time, to inspect and copy all of the Corporation books, records, documents, and minutes, and inspect the Corporation's physical properties.

15.6. Execution of Corporate Documents, Checks, Drafts and Evidences of Indebtedness.

With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the Corporation by either the President or a Vice President, and all checks shall be executed and countersigned on behalf of the Corporation by such officers, agents or other persons as are from time to time so authorized by the Board of Directors; provided, however, that the withdrawal of funds from the Corporation's reserve account shall require the signatures of two (2) authorized Directors of the Corporation or of two (2) persons, authorized by the Board, one (1) of whom shall be a Director and one (1) of whom may be an officer who is not a

Director.

15.7. Funds and Deposits.

Any funds of the Corporation shall be deposited to the credit of the Corporation in such banks or other depositories as the Board of Directors shall, from time to time, determine.

ARTICLE 16 SUBLEASING OF UNITS

16.1. Board Permission Required.

Subleasing of Units without the prior written permission of the Board of Directors is expressly prohibited.

16.2. Rules Governing Subleasing.

The Board may, from time to time, adopt and amend Rules governing the subleasing of Units. Such Rules concerning subleasing may concern, but need not be limited to, the number of Units that may be subleased at any given time and the minimum or maximum term of subleases.

16.3. Member Obligations Continue Notwithstanding Sublease.

The subleasing of a Unit shall not work to relieve the Member of his or her obligations under the Occupancy Agreement executed by the Member and the Corporation, the Rules or these Amended Bylaws.

16.4. Required Terms.

Any sublease shall expressly provide that it is subject and subordinate to the terms of the Occupancy Agreement. Any sublease shall further require the sub-tenant to abide by the terms of the Occupancy Agreement, the Bylaws and the Rules (including, without limitation, the Senior Housing Residency Restrictions) during the subtenancy, and shall give to the Corporation an irrevocable power to dispossess or otherwise act for the sublessor in case of default under the sublease.

ARTICLE 17 MISCELLANEOUS

17.1. Conflicts With Other Corporation Documents.

In the case of any conflict between the Articles of Incorporation and these Amended Bylaws, the Articles shall control; in the case of any conflict between these Bylaws and the rules, regulations and policies adopted by the Board of Directors from time to time, these Amended Bylaws shall control; and in the case of any conflict between the HUD Regulatory Agreement (provided such Agreement is then in effect) and the Articles of Incorporation, these Amended Bylaws, or the Rules, the HUD Regulatory Agreement shall control. In the case of any conflict between these Amended Bylaws and the Declaration (defined in Section 13.2 of these Amended Bylaws), the Declaration shall control.

17.2. Number and Gender.

Number and gender as used in these Amended Bylaws shall extend to and include both singular and plural and all genders as the context and construction require.