

**ADDENDUM TO AMENDED AND RESTATED BYLAWS
OF SEAL BEACH MUTUAL NO. SIX**

Changes in state law enacted since the adoption of the Amended and Restated Bylaws (the “Bylaws”) of Seal Beach Mutual No. Six (the “Mutual”) have rendered several provisions of the Bylaws void, as such provisions have been superseded by controlling state law. This Addendum to the Bylaws outlines those provisions of the Bylaws which are no longer enforceable and provides the currently controlling law which governs the subject matter, and which should be applied in lieu of the Bylaw provision. This Addendum is intended to be used as a tool by the Mutual Board and Shareholders in interpreting and enforcing the existing Bylaws.

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ADDENDUM

ARTICLE III: DISPUTE RESOLUTION, DISCIPLINE AND TERMINATION OF SHARE OWNERSHIP

Section 3.2 – Discipline.

(a) The Board of Directors may take disciplinary action against any Shareholder, Qualifying Resident, Co-Occupant, and/or guest for breach of these Bylaws, Rules or Regulations of the Mutual or any obligation of the Shareholders under his or her Occupancy Agreement. Any disciplinary action authorized hereunder shall not act as a bar to the exercise of any other right or remedy available to the Mutual against any other party for any such breach.

(b) Disciplinary action authorized hereunder may consist of any or all of the following: (i) a fine with an amount determined by the Board of Directors; and/or (iii) suspension of the right to use any of the facilities of the Mutual until the violation is cured for each such breach and such suspension of the right to use facilities of the Mutual or GRF shall apply to the Qualifying Residents, all occupants of the Unit and guests. The Mutual may also make an application to a court of competent jurisdiction for legal or equitable relief.

(c) Before any disciplinary action is taken, as authorized in Paragraph (b) above, a Shareholder, Qualifying Resident, or Co-Occupant shall be entitled to a hearing pursuant to the provisions of paragraph (b) of Section 3.3 of this Article.

(d) In addition, the Shareholder(s) shall be liable to the Mutual for costs of suit and a reasonable sum for attorneys' fees incurred in enforcing the Mutual's Governing Documents.

ARTICLE V: SHARE OWNERSHIP; VOTING RIGHTS AND SHAREHOLDER DISCIPLINE

Section 5.2 – Eligibility to Vote.

Only persons who are Shareholders on the date that ballots are distributed are entitled to vote on any issue or matter presented to the Shareholders for approval by ballot. Only persons who are Shareholders on the record date fixed for

determining eligibility to vote may vote on any issue or matter presented to the Shareholders for a non-ballot vote.

Section 5.6 – Record Dates.

The Board may fix, in advance, a date as the record date for the purpose of determining the Shareholders entitled to notice of meeting of Shareholders and to vote, as follows:

(a) The Board may fix, in advance, a date as the record date for the purpose of determining the Shareholders entitled to notice of any meeting of Shareholders. Such record date shall not be more than sixty (60) days nor less than ten (10) days before the date of the meeting. If no record date is fixed, Shareholders at the close of business on the business day preceding the day on which notice is given are entitled to notice of a meeting of Shareholders. A determination of Shareholders entitled to notice of a meeting of Shareholders shall apply to any adjournment of the meeting, unless the Board fixes a new record date for the adjourned meeting.

(b) The Board may fix, in advance, a date as the record date for the purpose of determining the Shareholders entitled to vote at a meeting of Shareholders where said vote will not be held by Secret Ballot. Such record date shall not be more than sixty (60) days before the date of the meeting. Such record date shall also apply in the case of an adjournment of the meeting, unless the Board fixes a new record date for the adjourned meeting. If no record date is fixed, Shareholders on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting of Shareholders or, in the case of an adjourned meeting, Shareholders on the day of the adjourned meeting who are otherwise eligible to vote are entitled to vote at the adjourned meeting of Shareholders.

(c) For the purpose of determining the Shareholders entitled to cast written ballots, Shareholders on the day the first written ballot is mailed or solicited are entitled to cast written ballots.

ARTICLE VI: ELECTIONS AND VOTING PROCEDURES

Section 6.1 – Election and Voting Rules.

(a) The Mutual shall adopt Rules, in accordance with the procedures prescribed by the Davis-Stirling Act, that are separate and apart from these Bylaws and do all of the following:

(i) Ensure that if any candidate or Shareholder advocating a point of view is provided access to Mutual media, newsletters, or Internet websites during a campaign, for purposes that are reasonably related to that election, equal access shall be provided to all candidates advocating a point of view, including those not endorsed by the Board, for purposes that are reasonably related to the election. The Mutual shall not edit or redact any content from these communications, but may include a statement specifying that the candidate or Shareholder, and not the Mutual, is responsible for that content.

(ii) Ensure access to common area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Shareholders advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election.

(iii) Specify the qualifications for candidates for the Board and any other elected position, and procedures for the nomination of candidates, consistent with the provisions of these Bylaws. A nomination or election procedure shall not be deemed reasonable if it disallows any Shareholder of the Mutual from nominating himself or herself for election to the Board.

(iv) Specify the qualifications for voting, the voting power of each Shareholder, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close, consistent with the provisions of these Bylaws.

(v) Specify a method of selecting one (1) or three (3) independent third parties as inspector or inspectors of elections (the "Inspector" or "Inspectors") utilizing one (1) of the following methods:

- (1) Appointment of the Inspector or Inspectors by the Board.
- (2) Election of the Inspector or Inspectors by the Shareholders of the Mutual.
- (3) Any other method for selecting the Inspector or Inspectors.

(vi) Allow the Inspector or Inspectors to appoint and oversee additional persons to verify signatures and to count and tabulate votes as the Inspector or Inspectors deem appropriate, provided that such persons are independent third parties.

(vii) Require retention of, as Mutual election materials, both a candidate registration list and a voter list. The voter list shall include name, voting power, and either the physical address of the voter's separate interest, the parcel number, or both. The mailing address for the ballot shall be listed on the voter list if it differs from the physical address of the voter's separate interest or if only the parcel number is used. The Mutual shall permit Shareholders to verify the accuracy of their individual information on both lists at least 30 days before the ballots are distributed. The Mutual or Shareholder shall report any errors or omissions to either list to the inspector or inspectors who shall make the corrections within two business days.

(b) Notwithstanding any other provision of law, the Rules adopted pursuant to this Section 6.1 may provide for the nomination of candidates from the floor of Shareholder meetings or nomination by any other manner. Those Rules may also permit write-in candidates for Secret Ballots. In the event that the Rules adopted pursuant to this section are silent, nominations from the floor and/or write-in candidates shall not be permitted.

(c) Notwithstanding any other law, the rules adopted pursuant to this Section 6.1 shall do all of the following:

- (i) Prohibit the denial of a ballot to a Shareholder for any reason other than not being a Shareholder at the time when ballots are distributed.
- (ii) Prohibit the denial of a ballot to a person with general power of attorney for a Shareholder.
- (iv) Require the ballot of a person with general power of attorney for a Shareholder to be counted if returned in a timely manner.
- (v) Require the inspector or inspectors of elections to deliver, or cause to be delivered, at least 30 days before an election, to each Shareholder both of the following documents:

- (1) The ballot or ballots.
- (2) A copy of the election operating rules. Delivery of the election operating rules may be accomplished by either of the following methods:
 - (i) Posting the election operating rules to an internet website and including the corresponding internet website address on the ballot together with the phrase, in at least 12-point font: “The rules governing this election may be found here;” or
 - (ii) Individual delivery.
- (d) Election operating rules adopted pursuant to this Section 6.1 shall not be amended less than ninety (90) days prior to an election.

Section 6.2 – Inspector of Elections.

The Mutual shall select an independent third party or parties as an Inspector or Inspectors for any election by Secret Ballot; the number of Inspectors shall be one (1) or three (3). For purposes of this Section 6.2, an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a Shareholder, but may not be a Director, a candidate for Director, or be related to a Director or to a candidate for Director by blood, marriage, adoption, or domestic partnership. An independent third party may not be a person, business entity, or subdivision of a business entity who is currently employed or under contract to the Mutual for any compensable services.

The Inspector or Inspectors shall do all of the following: (i) determine the number of Shareholders entitled to vote and the voting power of each; (ii) determine the authenticity, validity, and effect of proxies, if any; (iii) receive Secret Ballots; (iv) hear and determine all challenges and questions in any way arising out of or in connection with the right to vote; (v) count and tabulate all votes; (vi) determine when the polls shall close, consistent with the Governing Documents; (vii) determine the tabulated results of the election; and (viii) perform any acts as may be proper to conduct the election with fairness to all Shareholders in accordance with the Davis-Stirling Act, the Corporations Code, and all applicable Rules of the Mutual regarding the conduct of the election that are not in conflict with the Davis-Stirling Act.

An Inspector shall perform all duties impartially, in good faith, to the best of the Inspector's ability, and as expeditiously as is practical. If there are three (3) Inspectors, the decision or act of a majority of the Inspectors shall be effective in all respects as the decision or act of all. Any report made by the Inspector or Inspectors is *prima facie* evidence of the facts stated in the report.

Section 6.3 – Procedure for Elections by Secret Ballot.

(a) The Mutual shall provide general notice of the procedure and deadline for submitting a nomination for election to the Board of Directors at least thirty (30) days before any deadline for submitting a nomination. Individual notice shall be delivered pursuant to Civil Code §4040 if individual notice is requested by a Shareholder.

(b) The Mutual shall provide general notice of all of the following at least thirty (30) days before the ballots are distributed:

- (i) The date and time by which, and the physical address where, ballots are to be returned by mail or handed to the inspector or inspectors of elections.
- (ii) The date, time, and location of the meeting at which ballots will be counted.
- (iii) The list of all candidates' names that will appear on the ballot.
- (iv) Individual notice of the above paragraphs shall be delivered pursuant to Civil Code §4040 if individual notice is requested by a member.

(c) Secret Ballots and two (2) pre-addressed envelopes with instructions on how to return the Secret Ballots shall be mailed by First-Class mail or delivered by the Mutual to every Shareholder not less than thirty (30) days prior to the deadline for voting. In order to preserve confidentiality, a voter may not be identified by name, address, or Unit on the Secret Ballot. The Mutual shall use as a model those procedures used by California counties for ensuring confidentiality of vote by Secret Ballots, including all of the following:

- (i) The Secret Ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper left-hand corner of the second envelope, the voter shall sign the voter's name, indicate the voter's name, and indicate the address of the Unit that entitles the voter to vote.
- (ii) The second envelope is addressed to the Inspector or Inspectors, who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the Inspector or Inspectors, which location can include the office of the managing agent or management company for the Mutual, as may be applicable. The Shareholder may request a receipt for delivery.

(d) A quorum shall be required only if so stated in the Governing Documents or other provisions of law. If a quorum is required, each Secret Ballot received by the Inspector shall be treated as a Shareholder present at a meeting for purposes of establishing a quorum.

(e) Except for the meeting to count the votes required in subsection (d) of this Section 6.3, an election may be conducted entirely by mail.

(f) All votes shall be counted and tabulated by the Inspector or Inspectors, or the designee of the Inspector or Inspectors, in public at a properly noticed open meeting of the Board or Shareholders. Any candidate or other Shareholder of the Mutual may witness the counting and tabulation of the votes. No person, including a Shareholder of the Mutual or an employee of the Mutual's management company, shall open or otherwise review any Secret Ballot prior to the time and place at which the Secret Ballots are counted and tabulated; provided, however, the Inspector, or the designee of the Inspector, may verify the Shareholders' information and signature on the outer envelope prior to the meeting at which Secret Ballots are tabulated. Once a Secret Ballot is received by the Inspector, it shall be irrevocable.

(g) The tabulated results of the election shall be promptly reported to the Board, shall be recorded in the minutes of the next meeting of the Board, and shall be available for review by Shareholders of the Mutual. Within fifteen (15) days of the election, the Board shall give General Notice of the tabulated results of the election.

(h) The sealed Secret Ballots at all times shall be in the custody of the Inspector or Inspectors or at a location designated by the Inspector or Inspectors until after the tabulation of the vote, and until the time allowed by the Davis-Stirling Act for challenging the election has expired, at which time custody shall be transferred to the Mutual. If there is a recount or other challenge to the election process, the Inspector or Inspectors shall, upon written request, make the Secret Ballots available for inspection and review by a Shareholder or the Shareholder's authorized representative. Any recount shall be conducted in a manner that preserves the confidentiality of the vote.

ARTICLE VIII: BOARD OF DIRECTORS

Section 8.1 – Nomination.

Qualifying Shareholders may nominate themselves for election to the Board. Nominations shall be made at a time so as to permit the Mutual to give notice of the list of candidates to the Shareholders as required by law. Notwithstanding any other provision of law, the Rules adopted pursuant to Section 6.1 may provide for the nomination of candidates from the floor of Shareholder meetings or nomination by any other manner. Those Rules may also permit write-in candidates for Secret Ballots. In the event that the Rules adopted pursuant to this section are silent, nominations from the floor and/or write-in candidates shall not be permitted.

Section 8.2 – Number and Qualifications.

(a) The property, business and affairs of the Mutual shall be governed and managed by a Board of Directors composed of seven (7) persons who shall, at all times, be Shareholders of the Mutual.

(b) Each Director must at all times: (i) be a Shareholder of the Mutual; a (ii) not be delinquent more than forty-five (45) days in the payment of any Assessment levied against the Director and/or the Director's Unit. (iii) Notwithstanding the foregoing, a person shall not be disqualified for failure to be current in payment of regular and special Assessments if (iv) the person has paid the Assessments under protest, or (v) the person has entered into a repayment plan.

(c) In addition to the qualifications set forth in subsection (b) of this Section 8.2, no candidate or Director shall: have a joint ownership interest in (either directly or indirectly), the same Unit as another properly nominated candidate or incumbent Director.

(d) The election operating rules adopted pursuant to Section 6.1 of these Bylaws may prescribe additional director qualifications not inconsistent with law.

(e) No person may be a candidate for election to the Board, or serve on the Board, unless he or she (or, in the case of a Shareholder who is not a natural person, the Shareholder whom such person represents) meets the foregoing qualifications; provided, however, that the Mutual shall not disqualify a person from nomination if the person has not been provided the opportunity to engage in internal dispute resolution . The seat of any Director who ceases to meet the qualifications for a Director set forth in this Section 8.2 may be declared vacant upon the occurrence of the non- qualifying event in accordance with these Bylaws and/or the Corporations Code.

Section 8.4 – Vacancies.

A Director may resign at any time by giving written notice to the President or the Secretary of the Mutual, or the Board, and that Director's position will be deemed vacant as of the effective resignation date contained in such notice. Any Director who ceases to meet the qualifications for a Director set forth in Section 8.2 of these Bylaws, or qualifications that were otherwise in effect at the beginning of the Director's then current term of office, shall be deemed to have resigned from the Board upon the occurrence of the non-qualifying event. A vacancy in a Director's office shall also be deemed to exist in the event of a Director's death or removal, or in the event the Shareholders fail to elect the full number of authorized Directors to fill open seats at any meeting at which such election is to take place.

ARTICLE X: POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 10.3 – Selected Financial Review Duties.

In addition to those powers and duties set forth in Section 10.1 of these Bylaws, and any other powers and duties of the Board provided by law or the Governing Documents, the Board of Directors has the specific following powers and duties related to the review of the Mutual's financial records:

(a) The power and duty to review, on at least a quarterly basis: (i) a current reconciliation of the Mutual's operating accounts; (ii) a current reconciliation of the Mutual's Reserve Accounts; (iii) the current year's actual operating revenues and expenses compared to the current year's budget; (iv) the latest account statements prepared by the financial institutions where the Mutual has its operating and Reserve Accounts; (v) an income and expense statement for the Mutual's operating accounts and Reserve Accounts; and (vi) the check register, monthly general ledger, and delinquent assessment receivable report.

(b) The power and duty to review the study of the Reserve Account Requirements of the Community, or cause it to be reviewed, annually, and consider and implement necessary adjustments to the Board's analysis of the Reserve Account Requirements as a result of that review.

(c) The power and duty to cause a review of the financial statement of the Mutual to be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the Mutual exceeds seventy-five thousand dollars (\$75,000), a copy of which shall be distributed to the Shareholders by Individual Delivery within one hundred twenty (120) days after the close of such fiscal year.

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