
RESTATED BYLAWS

OF

WEST CLIFF VILLAS HOMEOWNERS ASSOCIATION

January 4, 2000

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or modified by a subsequent declaration, or amendment thereto, duly recorded in said Recorder's Office.

(b) "County" shall mean the County of Santa Cruz, State of California.

(c) "Director" shall mean a Member of the Board of Directors of the Association.

(d) "Office of Recorder" shall mean the Office of the Recorder, County of Santa Cruz, State of California.

(e) "Person" shall mean and include any individual, corporation, partnership, association, limited liability company or other entity recognized by the laws of the State of California.

(f) "Properties" shall have the meaning set forth in Article I, Section 1.35, in the Covenants, Conditions and Restrictions.

(g) "Voting Power" shall mean the total membership of the Association eligible to vote, that is, all members, except those suspended for default in payment of assessments or otherwise.

(h) "Unit" shall have the meaning set forth in Article II, Section 2.02(a), in the Covenants, Conditions and Restrictions.

(i) Other Definitions Incorporated by Reference. The terms defined in the Covenants, Conditions and Restrictions shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE II

Principal Office

Section 2.01. Location of Principal Office. The principal office of the Association shall be located at such place within the County as the Board may, from time to time, designate by resolution.

ARTICLE IV

Membership Voting

Section 4.01. Single Class of Membership. The Association shall have but one class of voting membership.

Section 4.02. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Unit owned by such Member. Single memberships in which two (2) or more persons have an indivisible interest shall be voted as provided in Article III, Section 3.03 of these Bylaws. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing in accordance with the Declaration of Covenants, Conditions and Restrictions. A Member who owns more than one Unit shall be ineligible to vote if that Member is delinquent with respect to any of such Units.

Section 4.03. Eligibility to Vote. The persons entitled to vote at any meeting of Members shall be those persons who are Members as of the record date determined in accordance with Section 5.08 of Article V hereof, subject to the provisions of California's Non-Profit Corporation Law. A Member must be in good standing, with all assessments current, and not be subject to any suspension of membership rights, in order to be eligible to vote.

Section 4.04. Manner of Casting Votes. Voting may be by voice or by ballot, provided that any election of Directors shall be conducted by ballot. Members otherwise eligible to vote may do so in person or by proxy in accordance with Section 4.05 of this Article IV.

Section 4.05. Proxies.

(a) Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Secretary of the Association before the appointed time of each meeting. Any proxy shall be for a term not to exceed eleven (11) months from the date thereof, unless otherwise provided in the proxy; provided that the maximum term of any proxy shall be three (3) years from the date of execution and, provided further, that any proxy pertaining to the nomination

- (6) Approval of any merger of the Association or adoption and approval of an amendment of an agreement of merger.
- (7) Election by the Association to voluntarily wind up and dissolve.
- (8) Action to change any Association assessments in a manner requiring membership approval under the Covenants, Conditions and Restrictions.

(d) In any election of Directors any form of proxy in which the Directors to be voted upon are named therein as candidates, and which is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld, shall not be voted either for or against the election of a Director. ~~If any proxy issued in connection with the election of Directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.~~

(e) Where two or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by any of such persons, but only one proxy may be cast for each Member. Any such person may attend meetings, but such attendance shall revoke the proxy as set forth in subsection (b) above.

Section 4.06. Action by Written Ballot Without a Meeting.

(a) Any matter or issue requiring the vote of the Members, other than the election of Directors, may be submitted for vote by written ballot without a meeting of the Members, provided the requirements for action by written ballot set forth in this Section 4.06 and the provisions of California Corporations Code Section 7513 and 7516 are met. The determination to seek Member approval for corporate action in this fashion shall be made by a majority of the Board or by Members having ten percent (10%) of the total votes of the membership signing a written request and delivering this request to the Secretary. In the event that any matter or issue is to be voted upon by written ballot, at least fifteen (15) days prior to the date the written ballots are to be received to be counted, the Board shall distribute the written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action and provide an opportunity to specify a choice between approval or disapproval of each matter or a group of matters to be acted upon. The written ballot shall provide a reasonable time within which to return the written ballot to the Association and shall state on its face or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The written ballot

ARTICLE V

Membership Meetings

Section 5.01. Place of Meeting. The meetings of the Members shall be at the offices of the Association within the Properties or at such other reasonable place within the County and at such time as may be specified herein or designated by notice of the Board of the meeting.

Section 5.02. Annual Meeting. There shall be an annual meeting of the Members within sixty (60) days of January 1st of each year at such time and at such location as may be determined by the Board of Directors.

Section 5.03. Special Meetings.

(a) **Who May Call.** A majority of the Board, the President and Members representing five percent (5%) or more of the total Voting Power of the Association may call special meetings of the Members at any time to consider any reasonable business of the Association.

(b) **Calling Special Meetings by Members.** If a special meeting is called by Members other than the President or a majority of the Board, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 5.04 of this Article V, that a meeting will be held, and the date and time for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

Section 5.04. Notice of Members' Meetings.

(a) All notices of meetings of Members (whether annual or special) shall be sent or otherwise given in writing to each Member who, on the record date for notice of the

(7) Voting upon any election to voluntarily wind up and dissolve the corporation.

(c) Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (1) notice is sent to that Member by first class mail or telegraphic or other written communication to the Association's principal office, or (2) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at that time when delivered personally or twenty-four (24) hours following deposit in the mail or telegram or facsimile transmission. In the event that the Association regularly sends its Members a newsletter or magazine, the requirement of written notice hereunder may be satisfied by setting forth the required information in said newsletter or magazine so long as it is addressed and mailed or delivered to the Member at the Member's address as shown on the books of the Association.

(d) An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary or Assistant Secretary of the Association, and if so executed, shall be filed and maintained in the Association's minute book. Such affidavit shall constitute prima facie evidence of the giving of notice.

Section 5.05. Quorum Requirements.

(a) Fifty-one percent (51%) of the Voting Power of Members, represented in person or by proxy, shall constitute a quorum for the transaction of business at a meeting of the Members.

(b) The Members present at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum.

Section 5.06. Adjourned Meeting. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of Members represented at the meeting, either in person or by proxy. Unless

transfer of any membership on the books of the corporation after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Non-Profit Corporation Law. The record dates established by the Board pursuant to this Section shall be:

- (1) In the case of determining those Members entitled to notice of a meeting, not more than ninety (90) nor less than ten (10) days before the date of the meeting.
- (2) In the case of determining those Members entitled to vote at a meeting, not more than sixty (60) days before the date of the meeting;
- (3) In the case of determining Members entitled to cast written ballots, not more than sixty (60) days before the day on which the first written ballot is mailed or solicited.
- (4) In the case of determining Members entitled to exercise any rights in respect to other lawful action, not more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date.

- (1) Record Date for Notice of Meetings. Unless fixed by the Board, the record date for determining those Members entitled to receive notice of a meeting of Members, shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.
- (2) Record Date for Voting. Unless fixed by the Board, the record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.
- (3) Record Date for Action by Written Ballot Without Meeting. Unless fixed by the Board, the record date for determining those Members entitled to vote by written ballot on proposed corporate actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited.

(b) If the name signed on a ballot, consent, waiver, or proxy appointment does not correspond to the record name of a member, the Association if acting in good faith is nevertheless entitled to accept the ballot, consent, waiver, or proxy appointment and give it effect as the act of the member if any of the following occur:

(1) The member is an entity and the name signed purports to be that of an officer or agent of the entity.

(2) The name signed purports to be that of an attorney-in-fact of the member and if the Association requests, evidence acceptable to the Association of the signatory's authority to sign for the member has been presented with respect to the ballot, consent, waiver, or proxy appointment.

(3) Two or more persons hold the membership as cotenants or fiduciaries and the name signed purports to be the name of at least one of the coholders and the person signing appears to be acting on behalf of all the coholders.

(4) The name signed purports to be that of an administrator, executor, guardian, or conservator representing the member and, if the Association requests, evidence of fiduciary status acceptable to the Association has been presented with respect to the ballot, consent, waiver, or proxy appointment.

(5) The name signed purports to be that of a receiver or trustee in bankruptcy of the member, and, if the Association requests, evidence of this status acceptable to the Association has been presented with respect to the ballot, consent, waiver, or proxy appointment.

(c) The Association is entitled to reject a ballot, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has a reasonable basis for doubt concerning the validity of the signature or the signatory's authority to sign for the member.

(d) The Association and any officer or agent thereof who accepts or rejects a ballot, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this Section 5.11 shall not be liable in damages to the member of the consequences of the acceptance or rejection.

insure or gain compliance by the tenant with the requirements of these Bylaws and the Covenants, Conditions and Restrictions.

Section 6.04. Guests. The guests of a Member or adult assignee of the Member under Section 6.03 above shall have the right to use and enjoy the Common Areas, recreation facilities and roads within the Properties, subject to the terms of the Covenants, Conditions and Restrictions, and further subject to the Rules and Regulations of the Association, provided that such guests are accompanied by the Member or the assignee while using the Common Facilities.

Section 6.05. Compliance with Association Governing Documents, Rules and Regulations. The right of use and enjoyment hereunder, shall at all times be subject to the rules, limitations and restrictions set forth herein and the Association Rules, as the same are in existence from time to time. The Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Facilities, with the exception of the right of use of any roads or driveways, for the failure of a Member to pay any assessments when due under the Covenants, Conditions and Restrictions, or to comply with any other rule or regulation imposed upon such Member, the Member's tenants or guests, pursuant to the Articles of Incorporation, these Bylaws or the Covenants, Conditions and Restrictions; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in the Covenants, Conditions and Restrictions.

ARTICLE VII

Board of Directors

Section 7.01. General Corporate Powers. Subject to the provisions of the California Non-Profit Corporation Law, the Covenants, Conditions and Restrictions, and any limitations in the Articles and these Bylaws relating to action requiring approval by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors consisting of five (5) persons who shall be Members, provided, however, that only one owning the same Unit may serve as Director at the same time. Subject to the limitations expressed in Article X, Section 10.01, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation, the activities and affairs of the Association shall continue to be exercised under the ultimate direction of the Board.

Section 7.02. Term of Office. Each Director elected at the annual meeting shall hold office for a term of two (2) years and until a successor Director has been elected and qualified. A Member elected or appointed to fill an unexpired Board vacancy shall serve for the unexpired term of the Member's predecessor. Three (3) Directors shall be elected in each odd numbered year and two (2) Directors shall be elected in each even numbered year.

Section 7.03. Nominations of Directors.

(a) **Candidates Selected by Nomination Committee.** At least sixty (60) days prior to the date of any election of Directors, the President may appoint a Nominating Committee to select qualified candidates for election to those positions on the Board of Directors held by Directors whose terms are then expiring. The Nominating Committee shall, if appointed, consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association who may or may not be Board members. Committee members shall serve from the close of such annual meeting until their successors are appointed and such appointment shall be announced at each annual meeting. The Nominating Committee shall make its report at least thirty (30) days before the date of the election, and the Secretary shall forward to each Member, with the notice of meeting required by Article V, Section 5.04, a list of candidates nominated. The Nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled. Members in good standing may be nominated as candidates for election to the Board.

(b) **Nominations From the Floor.** Any Member present at the meeting, in person or by proxy, may place the names of additional candidates in nomination.

(c) **Candidate Communications.** The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communicate their qualifications and reasons for candidacy to the Members and to solicit votes, and for a reasonable opportunity for all Members to choose among the nominees.

(d) **Petition Procedure.** A Member can become a candidate for election to the Board by filing with the Secretary a petition in support of his or her candidacy signed by at least two percent (2%) of the Voting Power of the Association who are, themselves, in good standing with all Assessments paid. The Member circulating the petition shall append his or her written certification to the petition attesting to the validity of the

signatures. Candidate petitions must be filed with the Secretary no later than thirty (30) calendar days and no earlier than fifty (50) calendar days prior to the annual election.

(e) **Good Standing Requirement for Candidacy.** In order to be eligible for nomination and election to the Board, the Association Secretary must certify that the candidate-Member is in good standing with the Association and is current in the payment of his or her assessments.

Section 7.04. Election of Directors.

(a) At each annual meeting of the Members, the Members shall elect persons to those positions on the Board of Directors held by Directors whose terms are then expiring. The persons thus elected shall be selected from among those persons nominated pursuant to Section 7.03 above; however, if for any reason an annual meeting is not held or the Directors are not elected at any annual meeting, the Directors may be elected at any special meeting held for that purpose. The Directors thus elected shall take office immediately upon the close of the annual meeting of the Members.

(b) Every Member entitled to vote at any election of Directors shall have the right to cumulate the Member's votes and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which the Member is entitled, or to distribute the Member's votes on the same principle among as many candidates as the Member shall think fit, if a Member has given notice at the meeting, prior to the voting, of the Member's intention to cumulate votes. Voting for Directors shall be by secret written ballot, and the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

(c) Prior to the election, the Board shall appoint one or three eligible Members who are not nominees, to act as official inspector(s) of the election. The Board may also appoint other Members to assist the inspector(s). The inspector(s) shall discharge his/their duties impartially, in good faith, to the best of his/their ability, and as expeditiously as possible. If three inspectors are appointed, all decisions, acts and the certification of any election must be made by at least a majority of the official inspectors. Before the election, the inspector(s) shall determine the number of memberships outstanding and the eligible Voting Power of each as of the Record Date established in accordance with Article V, Section 5.08 hereof.

At the election, the inspector(s) shall: (1) determine the existence of a quorum at the meeting by counting the number of eligible voters present, in person and by proxy; (2)

of the Members at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or by written ballot in conformity with Article IV, Section 4.06 hereof.

(e) Unless the entire Board is removed from office by the vote of the Members, no individual Director shall be removed from office prior to the expiration of the Director's term if the number of votes cast against the Director's removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Directors were then being elected.

(f) No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

ARTICLE VIII

Board Meeting

Section 8.01. Place of Meetings. Regular meetings of the Board of Directors may be held at any place within the County that has been designated from time to time by resolution of the Board. Special meetings of the Board shall be held at any place within the County that has been designated in the notice of the meeting or, if not stated in the notice, at the principal office of the Association. Notwithstanding the above provisions of this Section 8.01, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Section 8.02. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Reasonable notice of this meeting shall be given to the Members.

Section 8.03. Notice of Meetings. Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members and notice of the date, time and location of Board meetings also shall be given to the Members at least four (4) days prior to the meeting by posting the notice in a prominent place or places within the Common Area, by mail, or delivery of the notice to each Unit, or by newsletter or similar means of

telegraph company at least forty-eight (48) hours before the time set for the meeting.

- (3) Notice Contents. The notice shall state the date, time and place for the meeting. However, it need not specify the purpose of meeting, or the place of the meeting, if it is to be held at the principal of the Association.

Section 8.05. Attendance by Members and Association Manager.

(a) With the exception of executive sessions of the Board (see subparagraph (b), below) and emergency meetings of the Board as defined in Civil Code Section 1363.05(h), all meetings of the Board shall be open to Members of the Association provided that non-Director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of a quorum of the Board. However, the Board shall permit any Member of the Association to speak at any meeting of the Board, except for meetings of the Board held in executive session. A reasonable time limit for all Members of the Association to speak to the Board shall be established by the Board. If the Association has retained the services of a manager, such person may, at the Board's discretion, attend regular and special meetings. As used in this Section, "meeting" includes any congregation of a majority of the Members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) The Board may adjourn a meeting and reconvene in executive session to discuss and vote upon litigation, matters that relate to the formation of contracts with third parties, Member discipline, or personnel matters. The nature of any and all business to be discussed in executive session shall first be announced in open session. The Board of Directors shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member shall be entitled to attend the executive session. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above. Any matters discussed in executive session shall be generally noted in the minutes of the Board of Directors.

Section 8.06. Quorum Requirements. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 8.08 of this Article VIII. Every act done or decision made by a majority of the Directors present at a meeting duly held at which a quorum is present shall

notified in writing at the time that the pro forma budget required in California Civil Code Section 1365 is distributed, or at the time of any general mailing to the entire membership of the Association, of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

ARTICLE IX

Duties and Powers of the Board

Section 9.01. Standard of Care. Each Director shall perform his or her duties as a Director, including the duties as a member of any committee of the Board on which the Director serves, in good faith, in a manner such Director believes to be in the best interests of the Association; and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 9.02. Specific Powers and Duties. Without prejudice to the general powers of the Board of Directors set forth in Article VII, Section 7.01, the Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Articles of Incorporation, these Bylaws, the Covenants, Conditions and Restrictions, and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the general manager of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles, the Covenants, Conditions and Restrictions and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) Subject to the provisions of the Covenants, Conditions and Restrictions, to adopt, establish and distribute upon adoption, rules and regulations governing the use of the Common Areas, the Common Facilities, and the personal conduct of the Members, their lessees or tenants, and their guests thereon, and to take such steps as it deems necessary for the enforcement of the Association Rules, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common

establish and collect reasonable use charges for any or all of the Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

(l) Perform all acts required of the Board under the Covenants, Conditions and Restrictions.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Article XII, Section 12.09 hereof. The Board may appoint a Budget and Finance Committee as provided in Section 10.02(c) of the Bylaws to assist in the preparation of the annual budget.

(n) Appoint a Nominating Committee for the nomination of persons to be elected to the Board, and to prescribe rules under which said Nominating Committee is to act, all as more particularly described in Section 7.03 of Article VII hereof.

(o) Appoint or serve as an Architectural Committee and to prescribe rules under which said committee is to act in order to discharge its responsibilities under the Covenants, Conditions and Restrictions.

(p) Appoint such other committees as it deems necessary, from time to time, in connection with the affairs of the Association, in accordance with Article X hereof, and to prescribe the duties, powers and rules of such committees.

(q) Fill vacancies on the Board of Directors or in any committee.

(r) Open bank accounts and borrow money on behalf of the Association and to designate the signatories to Association bank accounts.

(s) Bring and defend actions by or against one or more Members of the Association to protect the interests of the Members or the Association, as such, so long as the action is pertinent to the operation of the Association, and to assess the Members for the cost of such litigation.

(a) Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one (1) year. This restriction shall not apply to: (1) FHA or VA approved management contracts; (2) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract does not exceed the shortest term for which the supplier will contract at the regulated rate; (3) prepaid casualty or liability insurance policies not to exceed three (3) years duration; provided the policies provide for short rate cancellation by the insured; (4) lease agreements for laundry room fixtures and equipment not to exceed five (5) years duration; (5) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration; or (6) agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of ten percent (10%) of the budgeted gross expenses of the Association for that year. For purposes of this Section 9.03(b), capital improvements do not include reserve expenditures for those components described in Section 12.13 of these Bylaws, and means a new fixture or facility proposed for the Common Area.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that year.

(d) Pay compensation to members of the Board of Directors for services performed in the conduct of the Association's business; provided that Directors can be reimbursed for reasonable travel and other expenses, verified in writing, incurred in the discharge of their duties.

(e) Borrow money on behalf of the Association in a sum in excess of ten percent (10%) of the budgeted gross receipts for the current fiscal year.

Section 9.04. Due Process Requirements. Before the Board imposes any monetary penalties (except late charges and interest for late payment of any assessment), or suspends membership rights or Common Area use privileges against any Member for failure to comply with the Declaration, these Bylaws, or Association Rules, the Board must act in good faith and must satisfy each of the following requirements:

(e) Appoint any other committees of the Board of Directors or the members of those committees.

(f) Approve any transaction (1) to which the corporation is a party and one or more Directors have a material financial interest; or (2) between the corporation and one or more of its Directors; or (3) between the corporation or any person in which one or more of its Directors have a material financial interest.

(g) Levy fines.

Section 10.02. Standing Committees. The following standing committees may be established and maintained by the Board, in addition to such other ad hoc committees as the Board may deem necessary and appropriate:

(a) **Architectural Committee.** The Board may appoint or serve as an Architectural Committee consisting of three or more Members, said committee to have the powers and responsibilities described in Article IX, Section 9.01, of the Covenants, Conditions and Restrictions.

(b) **Nomination Committee.** The Board may appoint a three person Nomination Committee in accordance with Article VII, Section 7.03 of these Bylaws, which committee shall have the powers and responsibilities described in said Section 7.03.

(c) **Budget and Finance Committee.** The Board may appoint three Members, one of whom shall be the Association's Chief Financial Officer, to a Budget and Finance Committee. The committee shall meet a minimum of two (2) times annually. The Committee shall assist the Chief Financial Officer in executing his or her responsibilities as described herein and shall be responsible for developing the Association's annual budget for presentation to the membership at the Annual Meeting. The committee shall also monitor and report to the Board on financial and tax developments of interest to the Association.

Section 10.03. Executive Committee. Subject to Section 10.01 of this Article X, the Board shall have the power to appoint an Executive Committee composed of two or more members of the Board to act on its behalf during intervals between regular Board meetings.

Section 10.04. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary. Any such resignation shall take effect at the date of the 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. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 11.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 11.07. President. The President shall be elected by the Board. The President shall be the chief executive officer of the Association, and subject to the control of the Board, shall have general supervision, direction and control of the affairs and officers of the Association. The President shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President also shall have the general power and duties of management usually vested in the office of president of a California non-profit mutual benefit corporation, together with such other power and duties as may be prescribed by the Board or the Bylaws.

Section 11.08. Vice-President. The Vice-President shall be elected by the Board. In the event of absence, disability or refusal to act of the President, the Vice-President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09. Secretary. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, the following:

(a) A book of minutes of all meetings of Directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof and a record of the votes.

(b) Appropriate current records showing the Members of the Association, together with their addresses.

ARTICLE XII

Assessments and Finances

Section 12.01. Description of Assessments to which Owners are Subject. Owners of Units within the Properties are subject to Annual and Special Assessments as more particularly described in Article VI of the Covenants, Conditions and Restrictions.

Section 12.02. Creation of the Lien and Personal Obligation of Assessments. The creation of the lien and personal obligation of assessments are governed by Section 6.01 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.03. Purpose and Basis of Assessments. The purpose and basis of assessments are as specified in Sections 6.02 through 6.05 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.04. Date of Commencement of Assessments: Due Dates. The date of commencement and the due dates of assessments are as specified in Sections 6.01(d), 6.03(d) and 6.04(b) of Article VI of the Covenants, Conditions and Restrictions.

Section 12.05. Effect of Non-Payment of Assessment: Remedies of the Association. The effect of non-payment of assessments and the remedies of the Association shall be as specified in Section 6.09 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.06. Subordination of Lien to Mortgages. The lien of the assessments shall be subordinated to the lien or charge of any first mortgage of record as more particularly described in Section 6.11 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.07. Checks. All checks or demands for money and notes of the Association shall be signed by the President and Chief Financial Officer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 12.08. Association Accounts. The Board shall maintain a deposit account and any other accounts it shall deem necessary to carry out its purposes, including reserve accounts as more particularly set forth in Article VI of the Covenants, Conditions and Restrictions. The signatures of at least two (2) persons, who shall be members of the

assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor;

- (4) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Association is obligated to maintain.

(b) Within one hundred twenty (120) days after the close of the fiscal year, an annual report consisting of:

- (1) A balance sheet as of the end of the fiscal year.
- (2) An operating (income) statement for the fiscal year.
- (3) A statement of changes in financial position for the fiscal year.
- (4) A statement of the place where the names and addresses of the current Members are located.
- (5) Any information required to be reported under Section 8322 of the Corporations Code with respect to certain transactions in excess of Fifty Thousand Dollars (\$50,000.00) per year between the Association and a Director or officer of the Association and indemnifications and advances to officers or Directors in excess of Ten Thousand Dollars (\$10,000.00) per year or such other transactions as may be required to be disclosed by such statute or any successor statute.

The annual report shall be prepared by an independent accountant for any fiscal year in which the gross income of the Association exceeds Seventy-five Thousand Dollars (\$75,000.00), and shall be prepared in accordance with generally accepted accounting principles and standards as established by the California State Board of Accountancy. If the annual report is not prepared by an independent accountant it shall be accompanied by the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

(c) In lieu of the distribution of the financial statement required by Section 12.09(a) of this Article XII, the Board may elect to distribute a summary of the budget to all Members with a written notice that the statement is available at the business office of

repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Association, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this Section. The Board may, at its discretion, extend the date the payment of the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of the Association of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members of the Association at the Association's office.

Section 12.13. Reserve Study Requirements. At least once every three (3) years the Board of Directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the Association which excludes the Association's reserve account for that period. The Board shall review this 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.

The study required by this Section shall at a minimum include:

(a) Identification of the major components which the Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years.

(c) For purposes of Sections 13.01-13.05 of these Bylaws, the term "agent" means any present or former Director, officer, employee, or other agent of the Association, the term "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, and the term "expenses" includes judgments, fines, or settlements occurring in any proceeding other than a proceeding brought by or on behalf of the Association.

Section 13.02. Indemnification Approval.

(a) Unless indemnification is required as provided in Section 13.01 of these Bylaws, indemnification shall be made only if authorized in the specific case on a determination that indemnification is proper in the circumstances because the agent satisfied the appropriate standard of care described in Section 13.03 of these Bylaws. The determination must be made by one (1) of the following methods:

- (1) A majority vote of a quorum of the Board consisting of Directors who are not parties to the proceeding.
- (2) The affirmative vote of a majority of the Voting Power of the Members entitled to vote at a duly held Members' meeting in which a quorum was present, or the approval by written ballot under the procedures described in Section 4.06 of these Bylaws, provided that if the agent to be indemnified is a Member, the agent shall not be entitled to vote.
- (3) The court in which such proceeding is or was pending on application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application is opposed by the Association.

(b) Notwithstanding the foregoing, any indemnification in any proceeding brought by or on behalf of the Association shall be subject to the restrictions contained in California Corporation Code Section 7237(c).

Section 13.03. Standard of Care. In any proceeding brought by or on behalf of the Association, the applicable standard of care shall require that the agent acted in good faith, in a manner the agent believed to be in the best interests of the Association and with the care, including reasonable inquiry, that an ordinarily prudent person in like position would use under similar circumstances. In all other proceedings, the agent must have

The payment of actual expenses incurred by a Director or officer in the execution of the duties of that position does not affect the Director's or officer's status as a volunteer within the meaning of this Section.

Nothing in this Section shall be construed to limit the liability of the Association for its negligent act or omission or for any negligent act or omission of an officer or Director of the Association.

This Section shall only apply to a volunteer officer or Director who is a tenant of a separate interest in the Properties or is an Owner of not more than two separate interests in the Properties.

ARTICLE XIV

Miscellaneous

Section 14.01. Records. The Association shall maintain the following records:

- (a) Adequate and correct books and records of account.
- (b) Written minutes of the proceedings of its Members, Board and committees of the Board.
- (c) A record of its Members, giving their names, addresses and voting rights.
- (d) The Association shall keep at its principal office the original or a copy of the Declaration, the Articles, these Bylaws and the Association Rules, as amended to date.

Section 14.02. Inspection of Books and Records.

(a) All books, records, minutes (including minutes of meetings of committees of the Board), membership lists and papers of the Association, except confidential or privileged matters such as litigation files or employee records, shall at all times, during reasonable business hours, be subject to the inspection of any Member at the offices of the Association for any purpose reasonably related to the Member's interest as such. Members' rights of inspection hereunder shall be exercisable on ten (10) days written demand on the Association, which demand shall state the purpose for which the inspection

95062, such other address as the Board of Directors may from time to time designate in a writing distributed to the Members; if to a Director, at the address from time to time given by such Director to the Secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the Secretary for the purpose of service of such notice, or, if no such address has been so given, to any Unit within the Properties owned by such Member.

Section 14.07. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Non-Profit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions or titles used in these Bylaws are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of these Bylaws.

Section 14.08. Fiscal Year. The fiscal year of the Association shall be the calendar year. However, the fiscal year of the Association is subject to change from time to time as the Board shall determine by resolution, and without the necessity of amending these Bylaws.

Section 14.09. Conflicts Between Documents. The terms and provisions set forth in these Bylaws are not exclusive as Owners also shall be subject to the terms and provisions of other Association management documents including the Articles of Incorporation, Declaration of Covenants, Conditions and Restrictions, Rules and Regulations, and Architectural Standards. In the event of a conflict between any provisions of any of said Association management documents with the provisions of any other Association management documents, the order of superiority of such documents shall be (1) Articles of Incorporation, (2) Declaration of Covenants, Conditions and Restrictions, (3) Bylaws, (4) Architectural Standards, and (5) Association Rules and Regulations, and the provisions of any such documents shall be superseded by the provisions of the document shown above to be superior to such document to the extent of such conflict.

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