

RESTATED BYLAWS OF TOLUCA TOWN HOUSE NO. 3

HOMEOWNERS' ASSOCIATION

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ARTICLE I
Recitals and Definitions

Section 1.1. Name of Association.

The name of this corporation is Toluca Town House No. 3 Homeowners' Association and shall be referred to herein as the "Association."

Section 1.2. Association Is Nonprofit.

The Association is a California nonprofit mutual benefit corporation (Corporations Code Sections 7110-8910) and an association as defined by Civil Code Section 1351(a).

Section 1.3. Specific Purpose.

The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Area and Common Facilities within the real estate common interest development located in the City of Burbank, County of Los Angeles, State of California, to enforce the Rules and Regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 1.4. Definitions.

(a) **County.** "County" means the County of Los Angeles, State of California.

(b) **Day.** "Day" or "Days" means calendar days.

(c) **Declaration.** "Declaration" means the First Restated Declaration of Covenants, Conditions and Restrictions for Toluca Town House No. 3 Homeowners' Association recorded on December 12, 2012, as Instrument No. 20121916, and as such Declaration may be supplemented, amended or modified by a duly recorded subsequent Declaration, or amendment thereto.

(d) **Majority of a Quorum.** "Majority of a Quorum" means the vote of a Majority of a Quorum of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in Section 5.5. Any Member may be represented at a membership meeting by proxy, pursuant to Section 4.5.

(e) **Voting Power.** "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at the time any determination of Voting Power is made.

(f) Other Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE II
Location of Principal Office

The principal office of the Association will be located at such place as the Board may from time to time designate by resolution.

ARTICLE III
Membership

Section 3.1. Members of the Association.

Every Owner of a Condominium within the Project is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Condominium.

Section 3.2. Term of Membership.

Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.1. Upon the sale, conveyance, or other transfer of an Owner's interest in a Condominium, the Owner's membership interest appurtenant to the Condominium shall automatically transfer to the Condominium's new Owner(s).

Section 3.3. Multiple Ownership of Condominiums.

Ownership of a Condominium shall give rise to a single membership vote in the Association. Accordingly, if more than one person or entity owns a Condominium, all of said persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary of the Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one of the multiple Owners votes a membership, the majority of such votes shall be the vote pertaining to said Condominium. If there is not a majority of such votes, the vote of such membership shall not be considered as either in favor of or opposed to the issue or issues which are the subject of the vote, but the membership shall be considered for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met.

ARTICLE IV
Membership Voting

Section 4.1. Single Class of Membership.

The Association shall have one class of voting membership.

Section 4.2. Member Voting Rights.

On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held under the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Condominium owned by the Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.3.

Section 4.3. Eligibility to Vote.

Only Members in good standing shall be entitled to vote at any membership meeting. In order to be in good standing, a Member must not have received a pre-lien demand letter for the non-payment of all Assessments levied against the Member's Condominium(s) and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section 5.8. In accordance with Civil Code Section 1363(h), the Association shall be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of Assessments as set forth in the Declaration. A Member who owns more than one Condominium shall be ineligible to vote if that Member is delinquent with respect to any such Condominiums.

Section 4.4. Manner of Casting Votes.

(a) **Voting at Membership Meetings.** Voting at any membership meeting may be by voice or by ballot, subject to the provisions of Civil Code Section 1363.03.

(b) **Proxy Voting.** Members otherwise eligible to vote at a meeting may do so in person or by proxy.

(c) **Cumulative Voting.** Cumulative voting shall not be permitted.

Section 4.5. Proxy Voting.

(a) **Use of Proxies Generally.** Any Member entitled to vote on any matter presented to the Members for approval 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. Any proxy shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing Member before the vote pursuant thereto subject to the maximum term of a proxy set forth in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time before the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation; (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting; or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Condominium, or upon dissolution of any alternative tax entity.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) Approval of contracts or transactions between the Association and one or more of its directors, or between the Association and a corporation, firm or association in which one or more of its directors has a material financial interest;
- (iv) Amendment of the Articles of Incorporation, these Bylaws or the Declaration;
- (v) Action to change any Association Assessments in a manner requiring membership approval under the Declaration;
- (vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;
- (vii) Merger of the Association or an amendment to an agreement of merger; and
- (viii) Voluntary dissolution of the Association.

(d) Proxy Rules for Memberships Held by More Than One Person. Where two or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by one or more of such persons so long as no more than one proxy is issued with respect to any single membership.

Section 4.6. Extension of the Ballot Period.

The time fixed for the return of written ballots may be extended only if the Board so notifies the Members on the face of the ballot or in the ballot originally sent to Members. Notwithstanding the foregoing, if a meeting that is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballot in the director election shall be extended to the date the adjourned meeting is reconvened.

Section 4.7. Requirements for Valid Member Action by Written Ballot.

Membership approval by written ballot shall only be valid if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in Section 5.5) that would have been required to be present at a membership meeting if a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

Section 4.8. Prohibition of Revocation.

Once cast, a written ballot may not be revoked.

Section 4.9. Majority Vote of Members Represented at Meeting Required for Valid Action.

At a meeting of the Members, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and voting on any matter (other than the election of directors) shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

Section 4.10. Action by Unanimous Written Consent.

Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. If action is taken by written consent, the consent(s) shall be filed with the Association's minutes.

**ARTICLE V
Membership Meetings**

Section 5.1. Place of Meeting.

Meetings of the Members shall be held at the Project or at such other reasonable place within the County and at such time as may be designated by the Board in the notice of the meeting.

Section 5.2. Annual Meeting.

There shall be an annual meeting of the Members in January of each year. The date, time and location of the meeting shall be as designated by the Board in the notice of the meeting.

Section 5.3. Special Meetings.

(a) **Persons Entitled to Call Special Meetings.** A majority of the Board, the president, or five percent (5%) or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Association.

(b) **Procedures for Calling Special Meetings Requested by Members.** If a special meeting is called by Members other than the Board of Directors or the president, 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 first-class, certified or registered mail or by telegraphic or other facsimile transmission to the president, any vice president, or the secretary of the Association. 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 5.4, that a meeting will be held, and the date, time, and purpose 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 notice of the meeting is not given within twenty (20) days after receipt of the request, the Members requesting the meeting may give the notice. Nothing contained in this section 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 5.4. Notice of Members' Meetings.

(a) **Requirement That Notice Be Given.** Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Section 5.8.

(b) **Time Requirements for Notice.** The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this section, not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered, or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) **Minimum Requirements Regarding Content of Notice.** The notice of any membership meeting shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or (ii) in the case of a regular meeting, those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the Members, but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) Specification of Certain Significant Actions. If action is proposed to be taken at any membership meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

(i) Removing a director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required under Section 7.5(f), below;

(iii) Amending the Articles of Incorporation of the Association, these Bylaws, or the Declaration in any manner requiring approval of the Members;

(iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm or association in which one or more of its directors has a material financial interest;

(v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or

(vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. 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: (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time the notice is delivered to the Member personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the Member as specified above. Notice given by electronic transmission shall comply with Section 20 of the Corporations Code.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the secretary or the assistant secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence that proper notice was given.

Section 5.5. Quorum Requirements.

The presence in person or by proxy at a meeting of members representing and entitled to cast at least twenty-five percent (25%) of the total votes, i.e., the number of Condominiums in the Project minus the number of Condominiums as to which voting rights are suspended at the time of the subject meeting (the "Total Votes") shall constitute a quorum for any action by the

members, unless a different requirement is imposed by these Bylaws, the Articles or the Declaration, and a majority of the Total Votes present at a meeting at which a quorum is present, shall prevail at such meeting unless a different percentage is required by these Bylaws, the Articles, or the Declaration. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members, so that less than a quorum is present, and the members then remaining and entitled to cast votes at such meeting shall constitute a quorum in connection with the conducting of such business prior to adjournment. If any meeting cannot be held because a quorum is not present, a majority of the members either in person or by proxy and entitled to vote, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirements shall be twelve percent (12%) of the Total Votes. If, at such adjourned meeting a quorum is not present, the meeting will be adjourned until such time as a quorum of at least twelve percent (12%) of the Total Votes can be convened.

Section 5.6. Adjourned Meeting.

(a) Adjournment, Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than forty-five (45) days) by the vote of the majority of Members present at the meeting, either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action which might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

Section 5.7. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting, in person or by proxy, consents to the meeting by signing: (i) a written waiver of notice; (ii) a consent to holding the meeting; or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Section 5.4(d), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may

have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein under Section 5.4(d), if that objection is expressly made at the meeting.

Section 5.8. Record Dates for Member Notice, Voting, and Giving Consents.

(a) **Record Dates Established by the Board of Directors.** For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a “record date” and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board under this section must be in accordance with the following requirements:

(i) **Record Date for Notice of Meetings.** In the case of determining those Members entitled to notice of a meeting, the record date shall not be more than ninety (90) days nor less than ten (10) days before the date of the meeting;

(ii) **Record Date for Voting.** In the case of determining those Members entitled to vote at a meeting, the record date shall not be more than sixty (60) days before the date of the meeting;

(iii) **Record Date for Action by Written Ballot Without Meeting.** In the case of determining Members entitled to cast written ballots, the record date shall not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and

(iv) **Record Date for Other Lawful Action.** In the case of determining Members entitled to exercise any rights in respect to other lawful action requiring Member approval, the record date shall not be more than sixty (60) days before the date of such other action.

(b) **Failure of Board to Fix a Record Date.** If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) **Record Date for Notice of Meetings.** 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.

(ii) **Record Date for Voting.** 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.

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting shall be the day on which the first written ballot is mailed.

(iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day before the date of such other action, whichever is later.

(v) "Record Date" Means as of Close of Business. For purposes of this subparagraph (b), a person or entity holding a membership as of the close of business on the record date shall be deemed to be the Member of record.

ARTICLE VI

Membership Rights

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

Section 6.1. Use and Enjoyment of Common Areas by Members and Family.

Each Member and the members of his or her family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas, and Common Facilities within the Project.

Section 6.2. Tenants and Lessees.

(a) Assignment of Rights, Generally. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Unit. Such assignment shall only be effective so long as said tenant is residing in said Unit and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents.

(b) Effectiveness of Assignment. Assignment of an Owner's right to use the Common Facilities to a tenant or lessee shall not be effective until such time as the Owner-Member has given the secretary written notice thereof setting forth the name of the assignee and the members of his or her family who will be entitled to the use and enjoyment of the Common Areas and Common Facilities by virtue of said assignment.

Section 6.3. Invitees and Guests.

The invitees and guests of a Member shall have the right to use and enjoy the Common Areas and Common Facilities within the Project, subject to any and all limitations provided in

the rules, restrictions and regulations, as long as the guest or invitee is in the company and under the supervision of the host Member. Any such guest or invitee shall be subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents.

Section 6.4. Association Rules and Regulations.

The right of any person to use and enjoy the Common Areas and Common Facilities within the Project shall at all times be subject to the rules, limitations, and restrictions set forth in these Bylaws, in the Declaration, and in the Association's published rules and regulations as promulgated by the Board from time to time in accordance with the Declaration and Civil Code Sections 1357.100-1357.140 and 1378(a)(1). The Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any recreational Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed on such Member, or his or her tenants or guests, under the Governing Documents, provided, however, that any such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in the Declaration. The adoption of Association Rules are subject to statutory obligations to first publish the proposed rules or rule changes to the Members, as particularly provided in Section 13.9 of these Bylaws and in the Declaration.

ARTICLE VII
Board of Directors

Section 7.1. General Association Powers.

Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Civil Code Sections 1350-1376) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in Section 10.1, 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 managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 7.2. Number and Qualification of Directors.

The Board of Directors shall consist of five (5) persons who shall be Owners of Condominiums that reside within the Association. In order to serve as a director, or to be a candidate for election as a director, such Owner, as of the date of such Owner's nomination and at all times during such Owner's term as a director: (a) must be a Member in good standing, as defined in Section 4.3, above; (b) may not be a party to any litigation against the Association; (c) may not be a party to any litigation against any of the Association's past or present agents or representatives, including, without limitation, past or present members of the Board of Directors (collectively "Agents"), which arises out of such Agents' acts or omissions while an agent or

representative of the Association, and (d) may not be co-Owner of a Condominium with any Owner who is a party to any litigation described in Section 7.2(b) and (c) above. For purposes of this section, the term "litigation" shall refer to any adverse proceeding of whatever type or nature, including, without limitation, any state or federal actions, arbitration proceedings, and any actions brought before a division or department of any state or federal government. Only one Owner per Condominium shall be eligible to serve on the Board at any time.

Section 7.3. Term of Office—Staggered Terms.

The directors of the Association shall serve for a term of two years with 3 directors elected in odd-numbered years and 2 directors elected in even-numbered years. A Director elected to fill a vacancy ("Replacement Director") shall hold office for the remainder of the term of the Director that such Replacement Director replaced. Directors shall serve one term, with a minimum of one year between terms, unless there are no other nominees for election. In no event shall a Director serve more than two consecutive terms.

Section 7.4. Election of Directors.

(a) **Directors Elected at Annual Meeting.** At each annual meeting of the Members, the Members present, in person or by proxy, shall elect persons to those positions on the Board of Directors held by directors whose terms are then expiring. 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.

(b) **Determination of Election Results/Succession to Office.** The candidates receiving the highest number of votes shall be elected as directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by random drawing.

Section 7.5. Vacancies on Board of Directors and Removal of Directors from Office.

(a) **Vacancies, Generally.** A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation or removal of a director; (ii) an increase of the authorized number of directors; or (iii) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) **Resignation of Directors.** Except as provided in this subparagraph, any director may resign, which resignation shall be effective on giving written notice to the president, the secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) **Authority of Board to Remove Directors.** The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court or (ii) fails to attend three consecutive

regular meetings of the Board of Directors which have been duly noticed in accordance with California Law.

(d) Authority of Members to Remove Directors. Except as otherwise provided herein, a director may only be removed from office before expiration of his or her term by the affirmative vote of a majority of the Voting Power of the Association. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the president, vice president or secretary of the Association that carries the signatures of Members in good standing who represented at least five percent (5%) of the Voting Power of the Association. Such petition must set forth the reason(s) the petitioners are seeking the director's removal; the signature and Condominium number(s) of each petitioner in his or her own handwriting; the name(s) of the sponsor(s) of the petition; and fulfill all other requirements required by law.

(ii) Within twenty (20) days after receipt of such petition, the Board shall either call a special meeting to vote upon the requested recall. Such meeting shall be conducted not less than thirty-five (35) nor more than ninety (90) days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting within twenty (20) days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(iii) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing or both. If in writing, such rebuttal shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(iv) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

(e) Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director by action of the Members, in which case the vacancy shall be filled by a vote of the Members.

ARTICLE VIII Board Meetings

Section 8.1. Place of Meetings; Meetings by Conference Telephone.

(a) Permitted Locations for Board Meetings. Except as otherwise provided in subparagraph (b), below, regular and special meetings of the Board of Directors may be held at any place within the Project or the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting.

(b) Circumstances When Meetings Can be Conducted by Conference Telephone or Other Electronic Means. Under those circumstances that qualify as grounds for conducting an emergency meeting, or conducting a meeting in executive session, but not otherwise, a regular or special meeting of the Board may be held by conference telephone, electronic video screen communications, or other communications equipment, or by any combination of means thereof. Participation in a meeting through the use of conference telephone under this subparagraph constitutes presence in person at the meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through the use of electronic video screen communication or other communications equipment (other than a conference telephone) constitutes presence in person at the meeting so long as each director participating in the meeting can communicate with all of the other directors concurrently and each director is given the means of participating in all matters coming before the Board. Actions taken by the Board by means of a telephone conference or other permitted electronic means shall be posted in a prominent place within the Common Area in the same manner as actions taken by written consent under Section 8.10.

Section 8.2. 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. Notice of this meeting shall not be required.

Section 8.3. Other Regular Meetings.

Regular meetings shall be conducted at least monthly, provided, however, that regular meetings can be held as infrequently as every quarter if the Board's business does not justify more frequent meetings. If the Board adopts an annual schedule for the conduct of regular meetings (such as a schedule that calls for regular meetings to be held at a specific time and location on the third Thursday of each month) and that schedule is communicated to all directors at the inception of the year, no further notice of a regular meeting shall be required unless the date, time, or location for a particular regular meeting is changed for any reason, in which case, notice shall be provided to all directors in accordance with Section 8.5.

Section 8.4. Special Meetings of the Board.

Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two (2) directors.

Section 8.5. Notice of Board Meetings.

(a) Minimum Time Requirements for Giving Notice to Directors. In the case of any special meeting of the Board, and if the Board has not fixed the time and location for regular meetings and provided each director with the schedule for the conduct of regular meetings, notice shall be communicated to each Board member not less than four (4) days before the date of the meeting, provided, however, that if the meeting qualifies as an emergency meeting (Section 8.6(d)) or is a special meeting that can be called in executive session (Section 8.6(c)), the time for providing notice is 48 hours before the meeting, unless notice is given by first-class

mail, in which case the four (4) day notice requirement remains in effect. Notice of a meeting of the Board need not be given to any director who has signed a waiver of notice or a written consent to the conduct of the meeting or an approval of the minutes of the meeting (whether before or after the meeting), as provided in Section 8.8, or who attends the meeting without protesting, either before or at the commencement of the meeting, the lack of notice to that director. All such notices shall be given or sent to the director's address, telephone number, or e-mail address as shown on the records of the Association.

(b) Manner of Giving Notice to Directors. Each director shall be entitled to receive notice of meetings by any one of the following means: (i) first-class mail, (ii) personal delivery, (iii) telephone, including a voice messaging system or other system or technology designed to record and communicate messages, or (iv) facsimile, electronic mail, or other electronic means.

(c) Notice Contents. The notice of any meeting of the Board shall state the time, place, and purpose of the meeting.

(d) Members' Right to Receive Notice of Board Meetings. All Members of the Association shall be given notice of the time and place of all Board meetings (as defined in Section 8.6(a), except for "emergency" meetings), at least four (4) days before the date of the meeting. This notice to the Members shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Member who has requested notification of Board meetings by mail (with the notice sent to the address requested by the Member). Notice may also be given by mail or delivery of the notice to each Condominium within the Project, or by newsletter or similar means of communication. For purposes of this subparagraph (d), an "emergency meeting" of the Board means a meeting called by the president or by any two (2) members of the Board under circumstances that could not have been reasonably foreseen that require immediate attention and possible action by the Board and that of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act (see Section 8.6).

In addition to the foregoing general notice requirements for Members, if a particular Member or Members are scheduled for possible disciplinary action on the agenda for a Board meeting, the Board must notify the subject Member(s) in writing, by either personal delivery or first-class mail, at least ten (10) days before the date of the meeting. Any such special notice of possible disciplinary action must contain, at a minimum, the date, time, and location of the meeting, the nature of the alleged violation for which the Member(s) are being considered for disciplinary action, and a statement that the Member(s) have a right to attend the meeting and address the Board concerning the disciplinary matter.

Section 8.6. Attendance by Members; Common Interest Project Open Meeting Act Provisions.

The following provisions reflect the California Common Interest Project Open Meeting Act (Civil Code Section 1363.05):

(a) Meetings Generally Open to Members; Definition of What Constitutes a "Meeting". With the exception of executive sessions of the Board (see subparagraph (c), below)

and any meetings conducted by conference telephone (under the circumstances stated in Section 8.1(b), any Member of the Association may attend meetings of the Board of Directors, provided, however, that nondirector Members may participate in deliberations or discussions of the Board only when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting. For purposes of the Open Meeting Act, the term "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate on any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) Right of Members to Speak at Meetings. The Board of Directors shall permit any Member to speak at any meeting of the Members or of the Board of Directors, except for Board meetings that are held in executive session under subparagraph (c), below. The Board or the chairman of the meeting may impose reasonable time limitations on presentations or statements by Members and, in the case of Board meetings, the agenda for the meeting can designate a specific time for Member statements and comments.

(c) Executive Sessions. The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss (i) litigation in which the Association is or may become a party; (ii) matters relating to the formation of contracts with third parties; (iii) Member discipline; or (iv) personnel matters; or (v) to meet with a Member, on the Member's request, regarding the Member's payment of Assessments, as specified in Civil Code Section 1367.1. The Board must 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 who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership.

(d) Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member on request and on reimbursement of the Association's costs in making that distribution.

Section 8.7. 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 8.9. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest; (ii) appointment of committees; and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the

withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles, or by law.

Section 8.8. Waiver of Notice.

The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8.9. Adjournment.

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of adjournment to any other time or place shall be given before the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

Section 8.10. Action Without a Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if (i) all members of the Board, individually or collectively, consent in writing to that action, and (ii) the action qualifies as one that is appropriate for action as an emergency meeting matter in accordance with Section 8.5(d). Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Board members have been obtained. If the Common Area is unsuitable for posting the explanation of the action taken, the Board shall communicate the explanation by any means it deems appropriate. Any written consent or consents of the Board shall be filed with the minutes of the proceedings of the Board.

Section 8.11. Compensation.

Directors, officers, and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

Section 8.12. Protocol at Board Meetings.

At each meeting of the Board, the President, or if he or she is absent, the Vice President, or if he or she is absent, any Director chosen by a majority of the Directors present, shall act as Chairperson and preside over the meeting. The Secretary, or if he or she is absent, the person (who shall be an Assistant Secretary, if any and if present) whom the Chairperson of such meeting shall appoint, shall act as Secretary of such meeting and keep the minutes thereof.

**ARTICLE IX
Duties and Powers of the Board**

Section 9.1. Specific Powers.

Without prejudice to the general powers of the Board of Directors set forth in Section 7.1, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the Association's property manager, if any (subject to any contractual commitments which may exist), and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation, 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) In accordance with Section 6.4 of these Bylaws and the Declaration, adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Common Areas, the Common Facilities and roads within the Project, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Areas or Common Facilities, provided notice and a hearing are provided as more particularly set forth in the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Condominiums, Common Areas and Common Facilities, and the roads within the Project.

(f) Contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the Association.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Project.

(h) Pay all taxes, Special Assessments, and other Assessments and charges that are or would become a lien on any portion of the Common Areas.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Project that have been damaged or destroyed and that are to be rebuilt.

(j) Delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board, subject to the limitations expressed in Section 10.1.

(k) Levy and collect Assessments from the Members of the Association in accordance with the Declaration, and 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 Declaration.

(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 Section 12.5.

(n) 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.

(o) Fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member by action of the Members.

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

(q) Bring and defend actions on behalf of the Members in common or the Association to protect the interests of the Members in common or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation.

(r) Enter Condominiums as necessary, subject to the notice requirements set forth in the Declaration, in connection with construction, maintenance, or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common.

(s) Provide a street patrol or other similar services, with the types, extent, nature, and hours of patrol services to be determined from time to time by the Board, if the Association considers it appropriate and in the best interests of the Owners to provide a patrol or similar

service. Any services provided or contracted by the Association under this subparagraph are not intended to replace, or to supplement, in any manner, governmental law enforcement, fire, or safety services and no references herein to "security, safety, or patrol" shall be construed as a representation that the Project or its Association offers enhanced or special security services for the benefit of Owners and residents.

Section 9.2. Limitations on Powers of the Board.

(a) **Prohibited Actions.** The Association is prohibited from taking any of the following actions:

(i) Except as otherwise provided in law, or order of the court, or an order under a final and binding arbitration decision, the Association shall not deny an Owner or occupant physical access to his or her Unit, either by restricting access through the Common Areas to the Owner's Unit or by restricting access solely to the Owner's Unit;

(ii) The Association may not voluntarily assign or pledge the Association's right to collect payments or Assessments or to enforce or foreclose a lien to a third party except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or State law when acting within the scope of that charter or license as security for a loan obtained by the Association; however, the foregoing provision may not restrict the right or ability of the Association to assign any unpaid obligations of a former Member to a third party for purposes of collection; or

(iii) Adopt an Association rule or regulation that arbitrarily or unreasonably restricts an Owner's ability to market the Owner's Condominium.

(b) **Board Actions Requiring Member Approval.** The Board shall not take any of the following actions except with the consent, by vote a meeting of the Association's Members or by a Member vote conducted by written ballot without a meeting under Corporations Code Section 7513 or any successor statute, of a simple Majority of a Quorum of the Members:

(i) Enter into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

(A) A contract with a public utility company if the rates charged for materials or services are regulated by the Public Utilities Commission, provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(B) Prepaid casualty and/or liability insurance policies not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured.

(C) Agreements for cable television services and equipment or satellite television services and equipment not to exceed five (5) years;

(D) Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation, and services not to exceed five (5) years duration;

(ii) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that year.

(iii) 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 fiscal year.

(iv) Pay compensation to members of the Board of Directors or the officers of the Association, provided, however, that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in carrying on the business of the Association.

(v) Enter into a Condominium in a non-emergency situation unless the Owner is furnished with at least twenty-four (24) hours' written notice, except in the case of an emergency as more particularly described in the Declaration.

ARTICLE X Committees

Section 10.1. Committees of Directors.

In addition to the Architectural Committee appointed and constituted under the Declaration, the Board may, by resolution adopted by a majority of the directors then in office, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter which, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or on any committee which has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

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

(f) Approve any transaction: (i) to which the Association is a party and one or more directors have a material financial interest, or (ii) between the Association and one or more of its directors or between the Association or any person in which one or more of its directors have a material financial interest.

Section 10.2. Meetings and Actions of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Unless otherwise provided in the Board resolution establishing the committee, minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

**ARTICLE XI
Officers**

Section 11.1. Officers.

The officers of the Association shall be a president, a vice president, a secretary, and a chief financial officer. Any person may hold more than one office, provided that no one person may be both the president and secretary of the Association. The Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.3. The president, vice president, and secretary shall be members of the Board. Any other officer, including the chief financial officer, need not be a member of the Board however must be a member of the Association.

Section 11.2. Election of Officers.

The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.3 and 11.6, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 11.3. Subordinate Officers.

The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 11.4. Removal of Officers.

Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 11.5. 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 11.6. 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 11.7. President.

The president shall be elected by the Board from among the directors. He or she shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws. The president shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of the Association. The president shall see that orders and resolutions of the Board are carried out.

Section 11.8. Vice President.

The vice president shall be elected by the Board from among the directors. In the absence or disability 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. He or she 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 11.9. Secretary.

The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, 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. The secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and he or she shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

Section 11.10. Chief Financial Officer.

The chief financial officer shall be elected by the Board from among the directors. The chief financial officer, who shall be known as the treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the Project and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any director or Member. The treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He or she shall disburse the funds of the Association as may be ordered by the Board, shall render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the chief financial officer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII

Member Assessment Obligations and Association Finances

Section 12.1. Description of Assessments to Which Owners Are Subject.

Owners of Condominiums within the Project are subject to Regular, Special and Special Individual Assessments as more particularly described in the Declaration.

Section 12.2. Checks.

All checks or demands for money and notes of the Association shall be signed by the president and treasurer, or by such other officer or officers or such other person or persons as the

Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of two directors, or an officer (who is not also a director) and a director.

Section 12.3. Operating Account.

There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Project.

Section 12.4. Other Accounts.

The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including and in accordance with Civil Code Section 1365.5(f), or its successor statute, reserve accounts for (a) replacement of capital improvements as more particularly set forth in the Declaration, or (b) funds received and not yet expended or disposed from either a compensatory damage award or settlement for injury to real or personal property as a result of any construction or design defects. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 12.5. Budgets and Financial Statements.

The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

(a) Budget. A pro forma operating budget meeting the requirements of this subparagraph (a) shall be distributed to Members not less than thirty (30) days nor more than ninety (90) days before the beginning of the fiscal year. The budget shall include at least the following information:

(i) The Association's estimated revenue and expenses on an accrual basis;

(ii) A summary of the Association's reserves based on the most recent review or study conducted under Section 12.6, and Civil Code Section 1365.5, based only on assets held in cash or cash equivalents, which shall be printed in boldface type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Project that the Association is obligated to repair, replace, restore, or maintain (collectively "Association Capital Projects");

(B) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital Projects and the current amount of accumulated cash reserves actually set aside for the repair, replacement, restoration, or maintenance of Association Capital Projects;

(C) The percentage that the amount of accumulated cash reserves is of the estimated amount of necessary cash reserves calculated under subparagraph (B), above; and

(D) If applicable, the amount of funds received from either a compensatory damage award or settlement to the Association from any person or entity for injuries to real or personal property arising out of construction or design defects and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. Such amounts shall be reported, at the end of the fiscal year for which the study is prepared, as separate line items under cash reserves, under subparagraph (B) above.

(E) The current deficiency in reserve funding (if any) expressed on a per unit basis, calculated in the manner set forth in Civil Code Section 1365(a)(2)(D).

(iii) A statement as to all of the following:

(A) Whether the Board has decided to defer or not undertake repairs or replacement of any Major Component having a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repair or replacement;

(B) Whether the Board, consistent with the reserve funding plan adopted under Civil Code Section 1365.5(e), has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefore. If so, the statement shall also disclose the estimated amount, commencement date, and duration of the assessment;

(C) The mechanism or mechanisms by which the Board will fund reserves to repair or replace major components of the Project for which the Association is responsible, including assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms; and

(D) Whether the Association has any outstanding loans with an original term of more than 1 year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(iv) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the future costs of repair, replacement, or additions to major components of the Project that the Association is obligated to maintain. This report shall include, but need not be limited to, reserve calculations made using the formula described in Civil Code Section 1365.2.5(b)(4), and may not assume a rate of return on cash reserves in excess of two percent (2%) above the rediscount rate published by the Federal Reserve Bank of San Francisco at the time the calculation is made.

(a) Development. In lieu of distributing the complete pro forma operating budget as specified above, the Board may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, on request, to

any Member at the Association's expense. This notice shall be presented on the front page of the budget summary in at least ten (10) point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail and at the Association's expense, within five (5) days.

(b) Year-End Report. Within one hundred and twenty (120) days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members:

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of cash flows for the fiscal year;
- (iv) A statement advising Members of the place where the names and addresses of the current Members are located; and
- (v) Any information required to be reported under Corporations Code Section 8322 requiring the disclosure of certain transactions in excess of fifty thousand dollars (\$50,000) per year between the Association and any director or officer of the Association and indemnifications and advances to officers or directors in excess of ten thousand dollars (\$10,000) per year.

The annual report shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds seventy-five thousand dollars (\$75,000). If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without an audit from the books and records of the Association.

- (c) Review of Accounts. On no less than a quarterly basis, the Board shall:
- (i) Review a current reconciliation of the Association's operating accounts;
 - (ii) Review a current reconciliation of the Association's reserve accounts;
 - (iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
 - (iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and
 - (v) Review the Association's income and expense statement for the operating and reserve accounts.

Section 12.6. Required Reserve Studies.

At least once every three (3) years, the Board shall cause a study of the reserve account requirements of the Project to be conducted if the current replacement value of the major components that the Association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required hereunder on an annual basis and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required hereunder shall include the minimum requirements specified in Civil Code Section 1365.5 or comparable successor statute.

Section 12.7. Required Statutory Assessment and Reserve Funding Disclosure Summary.

The disclosures required by the Association under this Article XII shall also be presented to the Members in summary form using the form that is set forth in Civil Code Section 1365.2.5.

ARTICLE XIII

Other Required Reports, Notices, and Disclosures to Members

In addition to the documents that the Association is required to distribute to the Members under Article XII, various statutes applicable to common interest developments and owner associations require that the following disclosures and information be provided to the Members of the Association on an annual or other periodic basis or in response for a request for the information by a Member:

Section 13.1. Annual Statement Regarding Association Assessments; Collection of Delinquent Assessments; Assessment Payments; and Payment Plans.

The Board shall annually distribute during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year a statement, in twelve (12) point type, presenting the information required by Civil Code Section 1365.1(b). That notice discusses the obligations of Owners to pay assessments, the consequences of failing to make a timely payment of assessments, and the right of owners to request that their Association consider a payment plan for the satisfaction of delinquent assessment obligations.

Section 13.2. Annual Disclosure of Association Collection Policies.

In addition, not less than thirty (30) or more than ninety (90) days immediately preceding the beginning of the Association's fiscal year, the Association shall provide its Members with a statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments.

Section 13.3. Notification to Members Regarding Insurance Coverage Maintained by the Master Association.

(a) **Scope of Required Summary Disclosures.** In accordance with California Civil Code Section 1365(f), within sixty (60) days preceding the beginning of the Association's fiscal year, the Association shall distribute to its Members a summary of the Association's property, general liability, earthquake, and flood insurance (if any) and fidelity insurance containing the information described in subparagraph (b), below.

(b) **Content of Annual Insurance Summary.** The insurance summary required by subparagraph (a), above, shall include (i) the name of the insurer; (ii) the type of insurance; (iii) the policy limits of the insurance; and (iv) the amount of the deductibles, if any. In addition, the summary shall include the following statement in at least 10-point boldface type: "This summary of the Association's policies of insurance provides only certain information, as required by Section 1365(f) of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, on request and provision of reasonable notice to the Association, review the Association's insurance policies and, on request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your Condominium, or personal injuries or other losses that occur within or around your Condominium. Even if a loss is covered by the Association's insurance, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage." To the extent that any of the information required to be included in an annual insurance summary is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by providing its Members with a copy of the declaration page.

(c) **Notification of Cancellation or Material Change in Policies.** The Association shall, as soon as reasonably practicable, notify its members by first-class mail if any of the policies described in subparagraph (a) have lapsed, been canceled and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible as to any of those policies. If the Association receives any notice of nonrenewal of a policy described in subparagraph (a), the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Section 13.4. Alternative Dispute Resolution (ADR) Disclosure.

On an annual basis, the Board shall provide each Member with a summary of the provisions of California Civil Code Sections 1369.510-1369.580, which require common interest owners' associations and their members to attempt to resolve most disputes involving the enforcement or interpretation of the Project's Governing Documents through the use of alternative dispute resolution (ADR), rather than formal civil litigation. Civil Code Section 1369.590 requires owners' associations to provide their members with an annual summary of the

requirements of Civil Code Sections 1363.810-1363.840 and 1369.510-1369.580, which specifically references Article 2 of the Davis-Stirling Common Interest Development Act and which includes the following statement: "Failure by any Member of the Association to comply with the pre-filing requirements of Civil Code section 1369.520 may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the Governing Documents or the applicable law." The ADR summary shall be provided either at the time the budget required by Section 12.5 is distributed or in the manner specified in California Corporations Code §5016. The summary shall include a description of the Association's internal dispute resolution process, as required by Civil Code Section 1363.850.

Section 13.5. Statement of Outstanding Charges.

Within ten (10) days following receipt of a written request by an Owner, the Association shall provide the Owner with a written statement setting forth the following information as of the date of the statement: (a) the amount of the Association's current Regular Assessments and Special Assessments (if any), and fees; (b) the amount and nature of any assessments levied on the Owner's Condominium that are unpaid on the date of the statement; (c) the amount of any monetary fines or penalties levied on the Owner's Condominium that are unpaid as of the date of the statement; and (d) any change in the Association's current Common and/or Special Assessments and fees that have been approved by the Board, but have not become due and payable as of the date of the statement. The statement shall also include true and correct information regarding late charges, interest, and costs of collection that, as of the date of the statement, are or may be made a lien on the Owner's Condominium or that may be made a lien on that Condominium in accordance with Civil Code Section 1367.1. The Association may impose a fee for providing the information stated in this Section 13.5, not to exceed the reasonable costs incurred to prepare and reproduce the requested items. The items required to be made available to members under this Section 13.5 may be maintained by the Association in electronic form, and requesting parties shall have the option of receiving them by electronic transmission or machine-readable storage media if the Association maintains these items in electronic form.

Section 13.6. Disclosure of Schedule of Fines or Other Monetary Penalties.

If the Association adopts a schedule of fines for commonly recurring infractions of the Governing Documents, or any other policy imposing a monetary penalty or a fee on any Member for violation of any Governing Document or the Association Rules, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall distribute the schedule or policy to the Members by either personal delivery or first-class mail. This distribution obligation shall arise whenever such a schedule or policy is adopted or subsequently amended.

Section 13.7. Disclosure of Right to Receive Board Meeting Minutes.

Members of the Association shall be notified in writing, at the time the pro forma budget is distributed under Section 12.5(a) or at the time of any general mailing to the entire membership, of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

Section 13.8. Notice of Significant Legal Proceedings.

Notwithstanding anything herein to the contrary, the Board shall not institute any significant legal proceeding, including any arbitration or judicial reference proceeding, against any person without providing the Members of the Association with at least thirty (30) days' prior written notice of the Association's intention to institute legal proceedings (see Civil Code Section 1368.4). The notice required by this Section 13.8 shall describe the purpose of the proceeding, the parties to the proceeding, the anticipated cost to the Association (including estimated attorney fees) in prosecuting the proceeding, the source of funds to process the proceeding (reserve or Special or Regular Assessments), and suggested information that should be disclosed to third parties, such as prospective purchasers and lenders, while the proceeding is being prosecuted. For purposes of this Section 13.8, "significant legal proceeding" means any legal proceeding in which it reasonably could be anticipated that any of the following events could occur:

- (i) The levy of a special assessment to fund all or any portion of the proceedings;
- (ii) The expenditure of funds from the Association's reserves in connection with the proceeding in an amount in excess of five percent (5%) of the Association's then current reserves;
- (iii) The amount of the claim is in excess of twenty-five thousand dollars (\$25,000); or
- (iv) The action could have a material adverse effect on the ability to sell and/or refinance Condominiums within the Project during the period the proceeding is being prosecuted.

Notwithstanding the foregoing, the above-described notice shall not be required to commence and pursue any action for the collection of delinquent assessments from any Member in accordance with the collection procedures set forth in the Declaration (and any published collection policy of the Association). Furthermore, if the Board in good faith determines that there is insufficient time to provide prior notice to the Members before the expiration of any applicable statute of limitations or before the loss of any other significant right of the Association, the Board may take the necessary steps to commence the proceeding to preserve the rights of the Association, provided that as soon as is reasonably practical thereafter, and not later than thirty (30) days after the commencement of the proceeding, the Board shall provide the Members with notice as required herein.

Section 13.9. Notification to Members of Rule Changes.

(a) **Rule Changes Requiring Notification to Members.** For purposes of this Section 13.9, a "rule change" is defined as any proposed action by the Board to adopt, amend, or repeal an operating rule (i.e., any rule of general application) that pertains to any of the following subjects: (i) use of the Association Common Areas of the Project; (ii) use of a Condominium (including, without limitation, the adoption or amendment of any Design Guideline); (iii) rule changes relating to Member discipline, including any action to adopt or amend a fine schedule or procedures for the imposition of penalties; (iv) any standards for delinquent assessment payment

plans; (v) any procedures adopted by the Association for resolution of assessment disputes; or (vi) any procedures for reviewing and approving or disapproving a proposed physical change to a member's Condominium or to the Common Area.

Specifically excluded from the definition of a rule change are the following: (i) a decision regarding maintenance of the Association Common Area; (ii) decisions on specific matters that are not intended to apply generally; (iii) decisions setting the amount of a Regular or Special Assessment; (iv) rule changes that are required by law if the Board has no discretion with respect to the substantive effect of the rule change; and (v) issuance of a document that merely repeats existing law or the governing documents.

(b) Required Notice to Members. The Board must provide written notice of a proposed rule change (as defined in subparagraph (a), above) to the Members at least thirty (30) days before making any rule change. The notice must include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change. Notice is not required under this subparagraph (b) if the Board determines that an immediate rule change is necessary to address an imminent threat to public health or safety or an imminent risk of substantial economic loss to the Association. The decision on any rule change that is subject to these notice requirements shall be made by the Board at a duly noticed meeting that is open to the Members, after consideration of any comments made by the Members. As soon as possible after making a rule change (but in no event later than fifteen (15) days thereafter), the Board shall deliver notice of the rule change to every Member. If the rule change was an emergency rule change, the notice shall include the text of the rule change, a description of the purpose and effect of the rule change, and the date that the rule change expires (emergency rules cannot remain in effect for more than one hundred and twenty (120) days). The notices required by this Section 13.9 may be given to the Members by means permitted by Civil Code Section 1350.7. The Member notification requirements for proposed rule changes are intended to afford Members the right to demand that the Board conduct a special meeting or a written ballot vote to rescind the proposed rule change in accordance with Civil Code Section 1357.140.

Section 13.10. Required Statutory Assessment and Reserve Funding Disclosure Summary.

The financial disclosures required under Article XII shall also be presented to the Members, at the time the annual budget is presented, in summary form using the form that is set forth in Civil Code Section 1365.2.5 entitled "Assessment and Reserve Funding Disclosure Summary." The form required by the Civil Code may be supplemented so long as the minimum information set out in the statute is provided. For the purpose of the report and summary of the Association's assessment and reserve disclosure, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. Nevertheless, this disclosure, which is mandated by law, shall not be construed to require the Board to fund reserves in accordance with the calculation that is required to be disclosed under Civil Code Section 1365.2.5(b)(4).

Section 13.11. Annual Notice of Architectural Review and Approval Procedures.

The Association shall annually provide its Members with notice of any requirements for Association approval of physical changes to the Member's Condominiums. The notice shall describe the types of changes that require Association approval and shall include a copy of the procedures used to review and approve or disapprove proposed Improvement projects. Furnishing the Members with a copy of Article V of the Declaration and a copy of any Architectural Rules adopted under Section 5.5 shall constitute compliance with this disclosure requirement.

Section 13.12. Avoidance of Duplication in Reporting Requirements.

To the extent that one document distributed to the Members under Article XII or this Article XIII provides the information required in more than one of the foregoing sections of this Article, any such requirements listed above may be satisfied by sending the Members the same document.

**ARTICLE XIV
Inspection of Books and Records**

Section 14.1. Member Inspection Rights.

(a) **Scope of Members' Inspection Rights.** All accounting books and records, minutes of proceedings of the Members, the Board, and committees of the Board, and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member. The Member who desires to inspect those documents must submit a written request for inspection to the Association and that request must state a reason for the requested inspection that is reasonably related to the Member's interests in the Association. The accounting books and records and the minutes of proceedings of an Association, and any information contained in those records, may not be used or sold for a commercial purpose or used for any other purpose that is not reasonably related to a Member's interests as a Member. Prohibited uses of the Association's membership list are set forth in Corporations Code Section 8338 and Civil Code Section 1365.2(d)(1). The Association shall have the right, under Corporations Code Section 8330, to offer a Member who is seeking access to the membership list an alternative method of achieving the Member's stated purpose without providing access to or a copy of the list itself, so long as the Association presents its alternative method within ten (10) days following receipt of the Member's request.

(b) **Association's Right to Withhold Information.** The Association has the right to withhold or redact information from the accounting books and records and the minutes of proceedings for any of the following reasons: (A) the release of the information is reasonably likely to lead to identify theft (i.e., the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money, or property); (B) the release of the information is reasonably likely to lead to fraud in connection with the Association; or (C) the information is privileged by law. However, except as provided by the attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to

employees, vendors, or contractors. Compensation information for individual employees shall be presented only by job classification or title, and not by use of the employee's name, social security number, or other personal information.

(c) Designation of Agent for Purposes of Inspection. A Member may inspect and copy those records that are open to Member inspection either in person or by his or her duly appointed representative. If a Member designates another person to inspect or copy Association records that are open to Member inspection, that designation must be in writing.

(d) Where Inspection Rights May Be Exercised. The Association shall make the accounting books and records and the minutes of proceedings available for inspection and copying in the Association's business office within the Project, or if there is no such office, at a mutually agreeable location as established by the Association and the Member who requests the inspection, provided, however, that the Association has the right to satisfy its obligation to make the accounting books and records and the minutes of proceedings available for inspection and copying by mailing copies of the requested records to the Member by first-class mail within ten (10) days of receiving the Member's request.

(e) Cost of Copies. The Association may bill the requesting Member for its actual, reasonable costs for copying and mailing requested documents so long as the Association informs the Member of the amount of the copying and mailing costs before sending the requested documents. Except as otherwise provided in subparagraph (d), above, and in Civil Code Section 1368 (which obligates associations to provide certain information to requesting members), nothing in this subparagraph shall be construed to obligate the Association to make copies of requested documents or to organize or compile specific information or categories of information sought by a requesting Member when the Association has made the information available for inspection and copying by the Member or the Member's agent.

Section 14.2. Director Inspection Rights.

Every director shall have an absolute right at any reasonable time to inspect all books, records, documents, and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents. All directors should consider their fiduciary obligations to act in good faith and in a manner they believe to be in the best interests of the Association in deciding how to use or disseminate information obtained through exercise of their inspection rights.

Section 14.3. Adoption of Reasonable Inspection Rules.

The Board may establish reasonable rules with respect to (i) notice of inspection; (ii) hours and days of the week when inspection may be made; and (iii) payment of the cost of reproducing copies of documents requested by the Member.

ARTICLE XV
Miscellaneous

Section 15.1. Property Manager.

The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and on such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the manager shall at all times remain subject to the general control of the Board.

Section 15.2. Robert's Rules of Order.

In the event of a question or dispute concerning the procedural aspects of any meetings that cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 15.3. Amendment or Repeal of Bylaws.

Except as otherwise expressly provided herein, these Bylaws may only be amended or repealed, and new Bylaws adopted by the affirmative vote or assent by written ballot of a Majority of the Voting Power of the Association, provided that 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 greater vote, unless otherwise specifically provided herein. Any amendment to these Bylaws shall become effective immediately on approval by the Members. The secretary of the Association shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Association's corporate records.

Section 15.4. Notice Requirements.

Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: If to the Association or the Board of Directors at the principal office of the Association as designated from time to time by written notice 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 the address of any Condominium within the Project owned by such Member.

Section 15.5. Indemnification.

(a) **Indemnification by Association of Directors and Officers.** To the fullest extent permitted by law, the Association shall indemnify its directors and officers, including persons

formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any “proceeding” as that term is used in that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a director or officer described by that section. The term “expenses,” as used in this section, shall have the same meaning as in Corporations Code Section 7237(a).

(b) Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or 7237(c) has been met and, if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code §7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or §7237(c) has been met and, if it has, the Members present at the meeting, in person or by proxy, shall authorize indemnification.

(c) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director or officer seeking indemnification under subparagraphs (a) and (b) of this section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(d) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its directors and officers against other liability asserted against or incurred by any director or officer in such capacity or arising out of the director’s or officer’s status as such.

Section 15.6. 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 Nonprofit Mutual Benefit 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 and titles used in these Bylaws are intended solely for the reader’s convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein. In the event of a conflict between these Bylaws and the operative Declaration of Covenants, Conditions and Restrictions (“CC&Rs”), the CC&Rs shall prevail.

CERTIFICATE OF SECRETARY

The undersigned, secretary of the corporation known as Toluca Town House No. 3 Homeowners' Association, hereby certifies that the above and foregoing Restated Bylaws, consisting of 40 pages, were duly adopted by written ballot of the Members of the Association on November 19, 2012, and that they now constitute the Bylaws of the Association.

TOLUCA TOWN HOUSE NO. 3 HOMEOWNERS' ASSOCIATION,
a California nonprofit mutual benefit corporation

By *Katherine Rockwell* Secretary