

AMENDED AND RESTATED BYLAWS
OF
VERDERA COMMUNITY ASSOCIATION

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**AMENDED AND RESTATED BYLAWS
OF
VERDERA COMMUNITY ASSOCIATION**

**ARTICLE I
RECITALS AND DEFINITIONS**

Section 1.01. Name of Association. The name of this corporation is the Verdera Community Association and shall be referred to herein as the “*Association.*”

Section 1.02. Association Is Nonprofit. The Association is a California nonprofit mutual benefit corporation and an “association” as defined by California Civil Code section 4080.

Section 1.03. Specific Purpose. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Areas and Common Facilities within the Verdera planned development located in City of Lincoln, County of Placer, State of California, to enforce the Rules and Regulations adopted by the Board of Directors, from time to time, as well as the terms and covenants, conditions and restrictions set forth in of the Declaration, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities of the Development by the Owners and residents of the Verdera community in common.

Section 1.04. Definitions.

(a) “*Act*” means and refers to the Davis-Stirling Common Interest Development Act (California Civil Code section 4000 et seq.), as amended from time to time.

(b) “*Annual Budget Report*” means and refers to the compilation of documents that the Association must provide to its Members on an annual basis (thirty (30) to ninety (90) days prior to the end of the fiscal year) pursuant to Civil Code section 5300 (see Section 12.05, below).

(c) “*Annual Policy Statement*” means and refers to the information, statements and notices that the Association must provide to its Members on an annual basis (thirty (30) to ninety (90) days prior to the end of the fiscal year) pursuant to Civil Code section 5310 (see Section 13.01, below).

(d) “*Association Capital Replacement Projects*” means and refers to any project undertaken by the Association for the major repair or replacement of any Major Capital Improvements within the Development which are included in the Association's Reserve Study and funded by Member contributions to the Association's Reserve Accounts.

(e) “*Common Area*” means and refers to the lettered lots that are shown on the Subdivision Map for the Development and which are owned by the association.

(f) “**City**” means and refers to the incorporated City of Lincoln, County of Placer, State of California and to its departments, agencies, councils and subdivisions.

(g) “**County**” means the County of Placer, State of California.

(h) “**Declaration**” means the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Verdera, recorded in the Official Records of Placer County, California on _____, 2021, as Instrument No._____, as such Declaration may be supplemented, amended or modified by a duly recorded subsequent Declaration, or amendment thereto. Any references herein to the **Original Declaration** mean and refer to the Declaration of Covenants, Conditions and Restrictions for Verdera that were recorded in the Official Records of Placer County, California on November 17, 2003 as Document No. 2003-01933328.

(i) “**Emergency Meeting**” means and refers to a meeting of the Board of Directors that meets the criteria set forth in Civil Code section 4923 and Section 8.05(e), below.

(j) “**General Notice**” and “**General Delivery**” are used in these Bylaws when notice can be provided to the Members by any of the following methods:

- (i) Any method of delivery that constitutes “Individual Notice” (if a particular Member requests to receive General Notices in that manner, then Individual Notice must be used; Civil Code section 4045(b));
- (ii) Inclusion of the notice in a newsletter, or similar Association document;
- (iii) Posting a copy of the printed document in a prominent location that is accessible to all Members, so long as the location has been designated for the posting of General Notices by the Association in its Annual Policy Statement; and
- (iv) If the Association has a broadcast television program site for the purpose of distributing information on Association business, that site can be used for General Notices.

(k) “**Good Standing**” is a term that is used in these Bylaws and in the Declaration to determine those Members who constitute part of the Voting Power of the Association and are therefore eligible to vote with respect to any matter or action other than the election of directors that requires the consent or approval of the Members. Civil Code section 5105(g) provides that no Member can be denied the right to vote in director elections for reasons other than not being a Member at the time the ballots are distributed. In order to be in Good Standing, a Member must be current in the payment of all Assessments levied against the Member's Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the due process and disciplinary hearing procedures of the Declaration and Civil Code sections 5900 et seq. Good Standing shall also be a prerequisite for being a candidate for election to the Board of Directors and for continued

service on the Board, once elected to office (See Sections 7.04(b) and 7.07(c)(iv), below). An incumbent director and a Member who is an announced candidate for election to the Board who is a party to a Board-approved payment plan to retire delinquent Assessments in accordance with Civil Code section 5665 and who is in compliance with the terms of that plan shall be deemed to be in Good Standing for purposes of continued Board service unless the terms of the payment plan call for the director to resign from office. Other qualification requirements for being a candidate for election to the Board of Directors are set forth in Section 7.06, below.

(l) If a provision of these Bylaws requires that the Association deliver a document by “**Individual Notice**” or “**Individual Delivery**” then the document must be delivered to the Members by one of the following methods:

(i) First-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier (addressed to the Member at his or her address appearing on the Association’s records);

(ii) E-mail, or other electronic means so long as the recipient has consented to receiving notice in that fashion. That consent may be revoked in a writing delivered to an officer of the Association or to the Association’s manager or management company;

(iii) If a Member has identified a secondary address for delivery of documents included in the Annual Budget Report or notices pertaining to Assessments or Assessment collections, the Association must deliver an additional copy of those notices to the secondary address that is identified (as well as to the primary address provided by the Member).

In accordance with Civil Code section 4055, if the Association or a Member has consented to receive information by electronic delivery, and a provision of the Davis-Stirling Act requires the information to be in writing, that requirement is satisfied if the information is provided in an electronic record that is capable of retention by the recipient at the time of receipt. An electronic record is not capable of retention by the recipient if the sender or its information processing system inhibits the ability of the recipient to print or store the electronic record.

(m) “**Inspector(s) of Election**” means and refers to the person or persons appointed by the Board of Directors to tabulate ballots and report on the outcome of any election conducted by the Association that is subject to the secret ballot voting rules set forth in Civil Code sections 5100 through 5135 and to discharge the other duties and responsibilities stated in Civil Code section 5110(c) and Section 7.06(d), below. In accordance with Civil Code section 5110(a), there shall be either one or three Inspectors of Elections; however the person(s) designated as such may appoint and oversee additional persons to verify signatures and to count and tabulate votes so long as those other designees are independent third parties. Although selection of the Inspector or Inspectors of Elections remains in the discretion of the Board, Civil Code section 5110(b) lists the following individuals who are eligible to serve as the Association’s Inspectors of Elections: (i) an independent third party such as a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, a notary public; (ii) Members of the Association who are not members of the Board of Directors or candidates for election to the Board or related to a director or to a candidate for election to the Board. No

person, a business entity, or subdivision of a business entity can be appointed as an Inspector of Elections who is currently employed by, or under contract with, the Association for any compensable services other than serving as an Inspector of Elections. Accordingly the accounting firm that is appointed by the Association to conduct audits of the Association's accounts or to prepare tax returns on behalf of the Association and the Association's legal counsel are ineligible to serve as Inspectors of Elections.

(n) **"Lot"** means and refers to each residential Lot as shown on the Subdivision Map for any phase of the Verdera Development.

(o) **"Major Capital Improvements"** means and refers to any major component of the Development for which the Association has the maintenance, repair, and replacement responsibility under the Declaration. If a Major Capital Improvement has a useful life of thirty (30) years or less, it must be included in the Association's Reserve Study.

(p) **"Majority of a Quorum"** whenever that phrase is used in these Bylaws, means the vote of a majority of the votes cast at a meeting or by written or secret ballot when the number of Members attending the membership meeting or the number of ballots cast by ballot equals or exceeds the quorum requirement specified in Section 5.05, below. For purposes of any Member vote to approve increases in the Regular Assessment that require Member approval or Special Assessments that require Member approval pursuant to Civil Code section 5605, the minimum quorum for valid Member action is more than fifty percent (50%) of the Members (See section 5.05(a)(i), below).

(q) **"Operating Rule"** shall be as defined in Section 13.02(a), below and in Section 3.08(c) of the Declaration. A **"Rule Change"** is also defined in those Sections of these Bylaws and the Declaration.

(r) **"Reserves"** and **"Reserve Accounts"** mean and refer to those funds that the Board of Directors of the Association has identified and set aside for use to defray the future repair or replacement of, or additions to, the Major Capital Improvements within the Development that the Association is obligated to maintain, repair and eventually replace in one or more Reserve Accounts. The obligation to contribute funds in Reserve Accounts pursuant to Section 4.09 of this Declaration and California Civil Code sections 5550 through 5570 shall be a Common Expense of the Association. The amounts required to properly fund Reserves (the **"Reserve Funds"**) shall be determined annually by the Board in accordance with the standards prescribed by maintenance cost guidelines prepared in accordance with California Civil Code section 5550 and prudent property management practices generally applied in "common interest developments" in the geographic region in which the Development is located. Among other elements, the Reserve planning process set forth in Civil Code section 5550 requires the Board to conduct periodic studies of Reserve Account requirements (each a **"Reserve Study"**) which must include a **"Reserve Funding Plan"** that indicates how the Association intends to fund the contributions to Reserve Accounts required to meet the Association's maintenance, repair and replacement obligations.

(s) **"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. To be part of the Voting Power a Member must be in Good Standing

(t) Other Definitions Incorporated by Reference. Any other capitalized terms in these Bylaws that are not defined in this Article I, shall have the meanings given to those capitalized terms in the Declaration 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 within Placer County as the Board of Directors may from time to time designate by resolution. Currently the principal office of the Association is located at 1875 Ladera Drive, #3, Lincoln, CA 95648.

ARTICLE III MEMBERSHIP

Section 3.01. Members of the Association. Every Owner of a Lot within the Development is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of a Lot in the Development.

Section 3.02. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.01, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).

Section 3.03. Multiple Ownership of Lots. Ownership of a Lot in the Development shall give rise to a single membership in the Association and each membership held by an Owner shall entitle the Owner(s) of a Lot to one vote on matters requiring the consent or approval of the Members. Accordingly, if more than one person owns a Lot, all of the co-Owners 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 of a Lot attempts to vote the membership that is appurtenant to that Lot, the Inspector of Elections that has been appointed pursuant to Section 7.06, below, shall be empowered to disqualify the vote of that membership. However, the membership shall be considered for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met. If a person owns more than one Lot in the Development, that Owner shall have one membership and membership voting rights with respect to each Lot owned.

Section 3.04. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary of the Association in writing that he or she is qualified to be a Member under Section 3.01, above, and, if requested by

the Secretary, has provided the Secretary with evidence of such qualification in the form of a duly recorded grant deed to the Lot that gave rise to the membership or a currently effective policy of title insurance for that Lot. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written ballot and eligibility for voting set forth in Section 5.08, below.

ARTICLE IV MEMBERSHIP VOTING

Section 4.01. Single Class of Membership. The Association shall have a single class of membership comprised of those persons who are Owners of Lots in the Development

Section 4.02. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the Members called and held pursuant to the provisions of these Bylaws, or a vote conducted by written ballot in accordance with Section 4.06, below, or a secret ballot conducted in accordance with Section 7.06, below, each Member who is in Good Standing shall be entitled to have one vote for each Lot that the Member owns. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.03, above. If a Lot is owned by a trust, corporation, partnership or other entity, the vote attributable to that Lot must be exercised by the trustee or settlor of the trust or by a duly authorized officer of the entity-Owner.

Section 4.03. Eligibility to Vote. Only Members in Good Standing, as defined in Section 1.04(h), above, shall be entitled to vote with respect to any matter requiring the consent or approval of the Members. A Member's Good Standing shall be determined as of the record date established in accordance with Section 5.08, below. In accordance with Civil Code section 5855, 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 Section 13.06 of the Declaration.

Section 4.04. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot; provided, however, that the voting in any election of directors or any other matter identified in subparagraph (e), below, shall be conducted by secret ballot in accordance with Civil Code sections 5110 through 5135 and Section 7.06, below. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by ten percent (10%) of the Members present at the meeting. In this context, the secret ballot need not comply with the double envelope secret balloting rules set forth in Section 7.06, below.

(b) Voting by Written Ballot. In addition to voting in person at a meeting, Members' votes may be solicited by written ballot with respect to any issue including the election of directors in accordance with Sections 4.06 and 7.06, below.

(c) Prohibition on Use of Proxy Voting. Because most matters of any significance must be approved by the Members by use of a secret ballot that is mailed to each Member personally, proxy voting shall not be permitted.

(d) Cumulative Voting. Cumulative voting shall not be permitted in the election of directors.

(e) Secret Ballot Voting Requirements (Civil Code sections 5100-5135). California Civil Code section 5100(a) requires that the following actions requiring the vote or approval of the Members of the Association must be conducted by use of a secret mailed ballot, with the vote conducted in accordance with the requirements of Section 7.06, below.

- (i) any vote of the Members to approve an increase in the Regular Assessment or imposition of a Special Assessment where Member approval is required under Civil Code section 5605 and Article IV of the Declaration;
- (ii) any vote for the election or removal of directors;
- (iii) any vote to approve amendments to the Governing Documents; and
- (iv) any vote authorizing the granting of exclusive use of any portion of the Common Area pursuant to Civil Code section 4600.

Except for the meeting conducted pursuant to Section 7.06(f), below (i.e., a meeting convened to tabulate and announce the results of a vote conducted by the use of secret mailed ballots) a vote or election that is subject to the secret ballot voting requirements may be conducted entirely by mail.

Section 4.05. Prohibition of Proxy Voting. Proxy voting is a process used in corporate law to enable Members who are unable to attend a membership meeting and to vote in person on matters requiring Member approval to designate another person (the proxy holder) to appear at the meeting and to vote on the absent Member's behalf. Because Civil Code sections 5100 through 5145 require practically all significant Member votes and approvals to be conducted by use of a secret ballot that is mailed directly to all Members (see also Section 4.04(e), above and Section 7.06(b), below), proxy voting shall not be permitted. This prohibition is not intended, however, to prevent a Member from designating or appointing another person to appear on the absent Member's behalf at a duly convened meeting of the Members in order to listen to the discussions at the meeting or to articulate the absent Member's opinions during any open forum segment of the meeting.

Section 4.06. Action by Written Ballot Without a Meeting.

(a) Definition of Written Ballot. A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and which complies with the requirements of this Section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) Written Ballots, Generally. Any matter or issue requiring the vote of the Members, including the election of directors, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this Section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board of Directors.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 5.08(a)(iii), below) and distribute a written ballot to every Member in Good Standing by General Delivery not less than thirty (30) days prior to the deadline for voting.

(c) Content of Written Ballots. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. Written ballots distributed for the election of directors shall list all candidates who are candidates for election to the Board as of the date when the written ballots are mailed or delivered to the Members and the written ballots shall comply with the secret ballot voting requirements of California Civil Code sections 5100 through 5135 and Section 7.06(b), below, by being prepared in a form that requires that the ballot, itself, is not to be signed by the voter or otherwise present any identification of the voter by name, Residence or Lot number or address.

In accordance with Civil Code section 5115(a), the ballots shall be accompanied by two preaddressed envelopes with instructions on how to return the ballots by a stated deadline in order to be counted. Those instructions shall state, at a minimum, that the ballot itself is not to be signed by the voter, but rather is to be inserted into an envelope that is sealed. That sealed envelope shall then be inserted into a second envelope that is also sealed. In the upper left hand corner of the second envelope, the voter shall be instructed to print and sign his or her name, address, and Lot number that entitles him or her to vote in the election. This second (outside) envelope shall be addressed to the Inspector(s) of Election and the envelope may be mailed or delivered by hand to a location specified by the Inspector(s) of Election. The Member may request a receipt for delivery.

(d) Balloting Time Requirements. Written ballots shall be distributed to all eligible Members in Good Standing at least thirty (30) days prior to the final date the written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable deadline for the return of written ballots to the Association in order to be counted. The deadline for the return of secret written ballots distributed to conduct an election of directors shall be established to coincide with the date of the annual Board or membership meeting at which the Members' ballots are to be tabulated (although the actual final deadline for the return of election ballots can be stated as being the close of business on the last business day preceding the date of that meeting in order to facilitate the tabulation of ballots).

Except in the case of written ballots distributed in the election of directors in accordance with this Section 4.06 and California Civil Code section 5115, the time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting solicitation materials accompanying the ballot and then for no more than two (2) successive periods of thirty (30) days each. If the right to extend the balloting period has

been properly reserved, the Board's decision to extend the deadline for the return of ballots shall be agenzed and acted on at a meeting of the Board that is open to attendance by the Members (see Section 8.06, below).

(e) 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 by the Board for the return of ballots equals or exceeds the quorum (as specified in Section 5.05, below), that would have been required to be present at a membership meeting if such 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 a formal membership meeting. In the case of the election of directors, those candidates who receive the highest number of votes, up to the total number of positions on the Board to be filled, shall be the successful, elected candidates. In accordance with Civil Code section 5115(b), a quorum shall be required only if so stated in the Governing Documents or other provisions of law. If a quorum is required, each ballot received by the Inspector of Elections shall be treated as a Member present at a meeting for purposes of establishing a quorum.

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of Section 5.04, below, pertaining to issuance of notice of Members' meetings. All solicitations of written ballots shall indicate: (i) the number of responses needed to meet the quorum requirement for valid action; (ii) the time by which the written ballot must be received by the Association in order to be counted; and (iii) the percentage of affirmative votes necessary to approve the measure. Written ballots that are distributed in connection with director elections and other membership votes that are subject to the secret ballot voting procedures that are set forth in Civil Code sections 5110 through 5135 (see Section 4.04(e), above) must also conform with those secret ballot voting requirements.

(g) Additional Balloting Procedures. If deemed necessary by the Board of Directors, the written ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this Section or applicable State law, as may be prescribed by a firm of public accountants or by the Association's legal counsel, who may also be retained to supervise the secrecy and conduct of the balloting process.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within thirty (30) days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter prior to conclusion of the stated balloting period is insufficient to satisfy the minimum quorum requirements for valid Member action, the Board shall so notify the Members. Written ballots that are solicited with respect to any matter identified in Section 4.04(e), above, shall be tabulated at a duly noticed meeting of the Board or the Members that is open to attendance by all Members (Civil Code section 5120(a)).

(i) Prohibition of Revocation of Written Ballots. Once cast, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures set forth in this Section 4.06 shall not preclude the Association from also conducting informational meetings of the Members to provide information or a forum during the prescribed balloting period or from scheduling a Board or membership meeting to coincide with the culmination of the prescribed balloting period.

Section 4.07. Majority Vote of Members Represented Required for Valid Action. In any vote of the Members, whether conducted at a meeting or by use of a mailed written or secret ballot, 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 (Cal. Corp. Code section 7110 et seq.) the Davis-Stirling Common Interest Development Act (Cal. Civil Code section 4000 et seq.) or by the Governing Documents of the Association. In the case of director elections, the candidates receiving the greatest number of votes, up to the number of directors to be elected, shall be elected to fill the vacancies.

ARTICLE V MEMBERSHIP MEETINGS

Section 5.01. Place of Meeting and Conduct of the Meeting. The meetings of the Members shall be held at the offices of the Association within the Development or at such other reasonable place (within the County) and at such time as may be designated by notice of the Board of the meeting. Unless unusual conditions exist, meetings of the Members shall not be held outside of the County. The Board shall permit any Member to speak at any meeting of the membership of the Association (Civil Code section 5000), although the Board shall be entitled to impose reasonable time limits, applicable to all Members, to speak during membership meetings or other reasonable protocols such as restricting Members to speak on particular agenda items only when that item comes up for discussion on the meeting agenda.

Section 5.02. Annual Meeting. There shall be an annual meeting of the Members in the month of July of each year at a date, time and location set forth in the notice of the annual meeting.

Section 5.03. 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 requested by five percent (5%) or more of the Members, rather than being called by 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 or the matters that the petitioning Members wish to discuss, and shall be delivered personally or sent by first-class mail, email or other electronic transmission to the President, the Vice President, or the Secretary of the Association. Nothing contained in this subparagraph (b) 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.

(c) Effect of Approval of Actions at a Special Membership Meeting for Which Voting by Secret Mailed Ballot is Required. In the event that a special meeting of the Members is called in response to a demand for the meeting received from petitioning Members pursuant to subparagraph (a) above, and a Majority of a Quorum of the Members present at the meeting in person approve an action that must be presented to the Members by use of a secret ballot in accordance with Section 4.04(e), above, the action taken by the Members at the special meeting to approve the proposed action is merely a directive to the Board of Directors to prepare and distribute a secret written ballot to all Members and to comply with the other secret ballot voting requirements and procedures set forth in Section 7.06, below, so as to afford all Members the opportunity to vote on the proposal. It is only following the conduct of that mailed secret ballot vote and approval by the prescribed number or percentage of affirmative Member votes that the underlying action or amendment shall be approved and become effective.

Section 5.04. 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 accordance with subparagraph (e), below) to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Section 5.08, below.

(b) Time Requirements for Notice. Except in the case of membership meetings called in response to a valid demand therefore received from five percent (5%) or more of the Members, 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. When a special meeting of the Members is called in response to a valid Member demand, the Board shall be obligated to send the Members a notice of the special meeting of the Members within twenty (20) days following receipt of the Members' demand and the meeting must be held on a date which is 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 by the Association's Board within the twenty (20) days after receipt of the request, the Members requesting the meeting may give the notice.

(c) Minimum Requirements Regarding Content of Notice. Notices of meetings of the Members 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 for election to the Board at the time the notice is given to the Members. As stated in the following subparagraph (d), certain significant

actions may only be acted upon by the Members when the notice of the meeting has informed the Members that the matter or action is on the agenda for action.

(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 pursuant to Section 7.08(d), 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 Articles IV of the Declaration; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. Notice of any meeting of the Members shall be given personally, by electronic transmission by the Association, or by mail or other means of written communication, addressed to a Member at the address of the Member appearing on the books of the Association or given by the Member to the Association for purposes of notice. Notices that are given by electronic transmission by the Association are only valid if the transmission complies with Corporations Code section 20 which generally provides that the Member-recipient has provided the Association with an unrevoked consent to the receipt of notices by electronic transmission and the method of transmission is capable of creating a copy in legible tangible form. Furthermore, even when a proper Member consent to receipt of notices electronically has been provided, the Association shall use some other authorized means of notice if the electronic transmission is rejected consecutively on two occasions or if the person issuing the notice on behalf of the Association becomes aware of the inability to transmit the notice electronically.

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 when the notice is delivered personally or deposited in the

mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

(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 5.05. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members, by written ballot in accordance with Section 4.06, above, or by secret ballot in accordance with Section 7.06(b), below.

(i) Quorum for Votes on Assessment Increases; Special Assessments; Certain Significant Board Actions. In the case of any secret ballot called or conducted for the purpose of voting on Assessment increases requiring membership approval (see Article IV of the Declaration), or a vote of the Members to approve those matters requiring Member consent pursuant to Section 9.02, below, the quorum requirement for valid action on the proposal shall be the affirmative vote of a Majority of a Quorum of the Members, with the minimum quorum percentage being fifty percent (50%) of the Members, (Civil Code section 5605). Accordingly, by way of example, if; an association had a 100 members, all in good standing and qualified to vote on an assessment increase, if exactly fifty (50) members voted in the election, the minimum quorum would be met and if twenty-six (26) of the votes supported the increase, the measure would pass.

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or any other action requiring the consent or approval of the Members for which a minimum quorum percentage is not stated or required by law, the quorum shall be thirty-three and one-third percent of the Members in Good Standing

(b) Effect of Departure of Members From Meeting. The Members present at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present may vote to adjourn the meeting for lack of a quorum but no other action may be taken or business transacted.

(c) Application of Quorum Requirements to Votes Conducted by Secret Ballot. In any vote or election that is required to be conducted by use of a secret ballot meeting the requirements of Civil Code sections 5110 through 5135(see Sections 4.04(e), above, and Section 7.06(b), below) and any other membership vote that is conducted by use of the written balloting process described in Section 4.06, above, each ballot received by the Inspector(s) of Election from Members in Good Standing on or before the deadline established for the return of ballots shall be treated as a Member present at a meeting for purposes of establishing a quorum.

Section 5.06. 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 by the vote of the majority of Members present at the meeting. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), at the reconvened meeting the Members may take any action that might have been transacted at the original meeting.

(b) Time Limitations for Reconvening an Adjourned Meeting. No meeting may be adjourned for more than forty-five (45) days. In addition, when adjournment is for lack of a quorum, the meeting shall be adjourned to a date that is not less than five (5) or more than thirty (30) days from the original meeting date.

(c) 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 or a new date for the adjourned meeting is, for any reason, established after adjournment, a notice of the time and place of the adjournment meeting must be given to each Member who on the record date for notice of the meeting is in Good Standing and thus entitled to vote at the meeting.

Section 5.07. 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 Member entitled to vote who was not present at the meeting 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 with respect to any matters specified in Section 5.04(d), above, in which case, the waiver of notice or consent must state the general nature of the matter. 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 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 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 which are required to be described therein pursuant to Section 5.04(d), above, if that objection is expressly made at the meeting.

Section 5.08. 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 pursuant to 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 or Mailed Secret Ballot Without Meeting. In the case of determining Members entitled to cast written ballots or secret ballots the record date shall not be more than sixty (60) days before the day on which the first written or secret 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 prior to 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 or Mailed Secret Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot or by mailed secret ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written or secret ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(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 prior to 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 holding a membership as of the close of business on the record date shall be deemed 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 6.01. 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 roads and other Common Areas and Common Facilities within the Development.

Section 6.02. Assignment of Rights to Tenants and Lessees. Each Owner of a Lot in the Development shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant or lessee residing within the Member’s Residence. Such assignment shall only be effective so long as the tenant or lessee is residing in said Residence 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.

Section 6.03. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the roads and other Common Areas and Common Facilities within the Development, 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 6.04. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities within the Development shall at all times be subject to the rules, limitations, and restrictions set forth in these Bylaws, in the Declaration and in the Association Rules, as promulgated by the Board from time to time in accordance with Section 3.07 of the Declaration and Civil Code sections 4340 through 4370 and 4765(a)(1). With the exception of the right of use of any roads within the Development, 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 upon such Member, his or her tenants or guests, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in Section 13.06 of the Declaration. The adoption of certain Operating Rules, as defined in Section 13.02, below, are subject to statutory obligations to first publish the proposed rules or rule changes to the Members by General Notice,

all as more particularly provided in Section 3.07 of the Declaration and Civil Code section 4360(a).

ARTICLE VII BOARD OF DIRECTORS

Section 7.01. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law (California Corporations Code section 7110 et seq.), the Davis Stirling Common Interest Development Act (California Civil Code section 4000, et seq.) and any limitations contained in any of the Governing Documents of the Association 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 10.03, below, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided, however, 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 (California Corporations Code section 7210).

Section 7.02. Number and Qualification of Directors. The Board of Directors shall be comprised of five (5) persons who shall be Owners of Lots in the Development whose memberships are in Good Standing (as defined in Section 1.04(k), above).

Section 7.03. Term of Office. Directors shall serve for two (2) year terms of office on a staggered basis, with two (2) directors elected in odd numbered years and three (3) directors being elected in even numbered years. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office for the term for which the director has been elected and until a successor director has been elected and qualified, unless a director is removed from office in which case the director's term shall end on the effective date of his or her removal.

Section 7.04. Nomination of Directors; Qualifications for Candidacy.

(a) Right of Self-Nomination. In accordance with Civil Code section 5105(a)(3), any individual who is a Member in Good Standing shall have the right to place his or her name in nomination for election to the Board of Directors so long as the Member tenders written notice to the Board of Directors of his or her desire to run for election at least thirty (30) days prior to the date of the election.

(b) Good Standing Requirement. In order to be eligible for nomination and election to the Board, the Association Secretary must certify that the candidate-Member is in Good Standing with the Association as defined in Section 1.04(k), above. Remaining current in the payment of Assessment obligations shall also be a continuing qualification for a sitting director's continued service on the Board of Directors (see Section 7.08(c)(iv), below).

(c) Nominating Committee. Although Members in Good Standing have a right of self-nomination under the Civil Code, the Board of Directors shall nevertheless have the discretion to appoint a Nominating Committee to assist the Board in its efforts to advertise an

upcoming election, educate interested Members regarding the duties, obligations and standards for service as a director, advise the Board as to improvements or alterations in election procedures; and to assist in identifying as many interested and qualified candidates as possible.

Section 7.05. Qualifications for Candidacy for Election to the Board. In accordance with Civil Code section 5105, Members who wish to be nominated for election to the Board of Directors or who intend to declare their candidacy by self-nomination must meet the following qualifications:

(a) Requirement of Being Current in the Payment of Assessments; Exceptions. In order to be eligible for nomination and election to the Board, the Association Secretary must certify that the candidate-Member is current in the payment of all duly levied Regular and Special Assessments. Remaining current in the payment of all Regular and Special Assessment obligations shall also be a continuing qualification for a sitting director's continued service on the Board of Directors (see Section 7.08(c)(iv), below). In accordance with Civil Code section 5105(d), a nominee may not be disqualified for nonpayment of fines, fines renamed as assessments, collection charges, late charges, or costs levied by a third party so long as the candidate (or the sitting director) is current in the payment of Assessments, subject only to these exceptions:

- (i) failure of the candidate to be current in payment of Regular and Special Assessments that the candidate has under protest pursuant to Civil Code section 5658;
- (ii) the candidate has entered into a payment plan with the Association to retire the delinquency pursuant to Civil Code section 5665;
- (iii) the candidate has not been offered the opportunity to engage in internal dispute resolution regarding the alleged delinquency in the payment of Assessments pursuant to Civil Code sections 5660(e) and 5665.

Reference is made to the Association's Election Rules for additional qualifications applicable to Members who are interested in becoming a candidate for election to the Board of Directors.

The fact that outstanding fines or penalties that have been duly levied against an Owner and his or her Lot by the Association cannot be cited as a reason for rejecting the Owner-Member's candidacy for election to the Board does not preclude the Association from pursuing collection remedies with respect to those fines and /or penalties that are otherwise permitted by law.

(b) Requirement of Membership in the Association. In order to be eligible for election to the Board, a person must be a Member of the Association and a natural person, subject to these two exceptions (Civil Code section 5105(b)):

(i) Director Nominees. The Declarant shall have the right to nominate a nonmember candidate consistent with the voting power of the Declarant as set forth in the regulations of the California Department of Real Estate and Article IV of these Bylaws; and

(ii) Nominees Chosen by the Governing Authority of Lots Held in the Name of an Entity. if title to a Lot is held in the name of a legal entity that is not a natural person, the governing authority of the entity-Owner shall have the power to appoint a natural person as the Member representative for the entity Owner and that designee may be a candidate so long as no other grounds for disqualification exist under the Davis-Stirling Act.

(c) Disqualification Based on Co-Owners Serving Concurrently. The Association shall disqualify a person from nomination as a candidate if the person, if elected, would be serving on the Board at the same time as another person who holds a joint ownership interest in the same Lot if the proposed candidate and the other co-owner of the Lot is either properly nominated for the current election or an incumbent director. For purposes of this ground for disqualification, “joint ownership” includes any tenancy in common, community property ownership, trust, or other entity ownership in which the potential candidates (and a sitting director) both have an equity interest or any other marital or civil relationship interest that is recognized by California law. The purpose of this disqualification criteria is to promote a diversity of views, opinions, and decisions on the Board so that individual director decisions are not adversely influenced by familial issues or the co-ownership of a Lot or Lots in the Development.

(d) Disqualification Based on Certain Criminal Convictions. The Association shall disqualify any nominee who discloses, or if the Association is aware or becomes aware of, a past criminal conviction that would, if the person was elected, either prevent the Association from purchasing the fidelity bond coverage required by Civil Code section 5806 or terminate the Association’s existing fidelity bond coverage.

Section 7.06. Election of Directors; Ballot Tabulation and Retention Requirements. The following procedures shall be followed in the election of directors and in the conduct of other Member votes that must be conducted by use of the double envelope, mailed secret ballot (see Section 4.04 (e), above). In accordance with Civil Code section 5100(a)(2), the Association shall hold an election for a seat on the Board of Directors at the expiration of the corresponding director’s term and at least once every four (4) years.

(a) Coordination of Director Elections and Date of the Annual Meeting. In accordance with Civil Code section 5115 the annual election of directors must be conducted using a double envelope balloting process that is described in subparagraph (b), below, however it is the current policy of this Association that the deadline for the receipt of ballots in director elections shall be scheduled to occur the day prior to the Annual Meeting of the Members, where ballots are counted at such duly convened Board or membership meeting open to attendance by all Members. The results of the ballot are then disclosed during the Annual Meeting of the Members, unless there is some dispute regarding the outcome of the election in which case tabulation of the results shall be conducted at a meeting open to attendance by the Members as promptly as possible following conclusion of the Annual Meeting.

In order to be in compliance with the Civil Code secret balloting procedures, the secret ballots shall be mailed to every Member at least thirty (30) days prior to the day before the Annual Meeting. However, if for any reason an annual meeting of the Members is not held or the directors are not elected in a secret balloting process that is scheduled to occur the day prior to the date of the Annual Meeting, the directors may be elected using the same secret balloting procedures with the results of the election being tabulated at a special meeting called for that purpose (see subparagraph (f), below). Announcement of any adjournment or extension of the initially stated conclusion of the balloting period shall be communicated by General Notice to all Members (or by Individual Notice to any Member who has requested Individual Notice).

(b) Use of Secret Ballots and Ballot Completion and Distribution Requirements. In accordance with Civil Code section 5115, secret ballots shall be used in the election of directors and with respect to other matters requiring the approval of the Members which are identified in Section 4.04(e), above. The secret ballots, together with a copy of the Association's Election Rules, and two pre-addressed envelopes with instructions on how to return ballots, shall be mailed by first-class mail or delivered by the Association to every Member not less than thirty (30) days prior to the deadline for voting (Civil Code section 5115(c)). The Election Rules may be provided to the Members by either of the following methods: (i) posting the Election Rules to an internet website and including the corresponding internet website address on the ballot together with the phrase, in at least 12-point font: "The rules governing this election may be found here:"; or (ii) by Individual Delivery.

In accordance with Civil Code section 5115(b), the Association shall provide General Notice of all of the following to the Members at least thirty (30) days before the ballots are distributed (or by Individual Notice if so requested by a particular Member):

- (i) The date and time by which, and the physical address where, ballots are to be returned by mail or handed to the Inspector or Inspectors of Elections;
- (ii) The date, time and location of the meeting at which the ballots will be counted; and
- (iii) In the case of director elections, the list of all candidates' names that will appear on the ballot.

In order to preserve the confidentiality of the voting Member, the voter may not be identified by name, address, or Residence or Lot number on the ballot. The unsigned ballot shall be inserted into an envelope that is sealed and this sealed envelope is, itself, inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, a space or lines shall be presented where the voter can print and sign his or her name, address and Lot number. The second envelope shall be addressed to the Inspector(s) of Elections who shall tally the votes. The envelope containing the ballot may be mailed or delivered by hand to the location specified by the Inspector(s) of Elections (that location shall be stated in the balloting materials that are mailed to the Members). Any Member may request a receipt from the Inspector of Elections to confirm delivery of his or her ballot. Once a secret ballot is received by the Inspector(s) of Elections, it shall be irrevocable. The Inspector(s) of Elections or the

Inspector(s)' designee may verify the Member's information and signature on the outer envelope prior to the meeting at which ballots are tabulated.

(c) Determination of Elections Results/Succession to Office. So long as the minimum quorum requirement for valid action, if any, has been satisfied, the candidates receiving the highest number of votes, up to the number of vacancies to be filled in the election, 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.

(d) Supervision of Election Process; Appointment of Inspector(s) of Election. In order to insure secrecy of ballots and fairness in the conduct of director elections, the Board of Directors shall select an independent third party or parties to serve as the *Inspector(s) of Election*. The number of Inspectors shall be one or three (see Section 1.04(t), above). This Association has authorized employees of the management company and/or the Association's outside auditors to serve as Inspectors of Election. The person or persons appointed to serve as Inspectors of Election shall have the full powers of an inspector of elections appointed by the Board pursuant to Corporations Code section 7614. Without limiting the foregoing, and in accordance with Civil Code section 5110(c), the Inspector(s) of Election shall do all of the following:

- (i) Determine the number of memberships that are in Good Standing and therefore entitled to vote and the Voting Power of each.
- (ii) Determine the authenticity, validity, and effect of proxies, if any.
- (iii) Determine the existence of a quorum for conduct of the election (each ballot received by the Inspector(s) of Election from Members in Good Standing shall be treated as a Member present at a meeting for purposes of establishing a quorum). Even if a ballot is rejected by the Inspector(s) of Election for voting purposes due to some irregularity or ambiguity relating to the manner in which the Member has marked the ballot to express his or her voting intentions, the ballot may be counted for quorum purposes if the Inspectors, in their discretion, have determined that the ballot was received, completed, and cast by a Member in Good Standing.
- (iv) The Inspector(s) of Election shall be the designated recipient(s) of all Member ballots. Sealed ballots shall at all times be in the custody of the Inspector(s) of Election or at a location designated by the Inspector(s) until after the tabulation of the vote and expiration of the time for challenging the election pursuant to Corporations Code section 7527, at which time custody of the ballots shall be transferred to the Association to be stored in a secure place for no less than one year after the date of the election.

- (v) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- (vi) Count and tabulate all votes.
- (vii) Determine when the polls close.
- (viii) Determine the tabulated results of the election.
- (ix) Perform any acts as may be proper to the conduct of the election with fairness to all Members and in accordance with the Association Rules pertaining to the conduct of elections and sections 5100 through 5135 of the Civil Code.

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

(e) Limitations on Association Election Activities. In accordance with Section 9.02(a)(v), below, the Association shall be prohibited from using Association funds for campaign purposes, as defined in this Section, although this prohibition shall not apply to communications disseminated pursuant to an Association Rule that is intended to comply with the requirement imposed by Civil Code section 5105(a)(1) that all candidates have equal access to Association media to communicate points of view that are reasonably related to the election. As used in this subparagraph (e), “campaign purposes” means the use of Association funds to advocate the election or defeat of any candidate or the inclusion of a candidate’s photograph or the prominent presentation of a candidate’s name in any communication from the Association or the Board within thirty (30) days of the election (excepting the ballot and the balloting materials or communications that are made to comply with the equal access requirements for all candidates pursuant to Civil Code section 5105(a)(1).

(f) Requirements for the Counting and Tabulation of Ballots. In accordance with Civil Code section 5120(a), the designated Inspector(s) of Elections or the Inspector(s) independent designee must count and tabulate the votes in public at a properly noticed open meeting of the Board of Directors or the Members. This tabulation may take place at a duly convened Board or membership meeting which is open to attendance by the Members that is held the day prior to the Annual Meeting of the Members. Any candidate or other Member of the Association may witness the counting and tabulation of the votes. No person, including a Member of the Association or an employee of the Association's management company, if any, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated by the Inspector(s) of Elections. Nevertheless, to facilitate the timely conduct of the election, the Inspector(s) of Elections or the Inspector(s)' duly appointed independent designees may verify the Member's information and signature on the outer envelope of the secret ballot prior to the meeting at which ballots are tabulated. Once a secret ballot is received by the Inspector(s) of Elections it shall be irrevocable.

(g) Announcement of the Results of the Elections. The tabulated results of the election shall be promptly reported by the Inspector(s) of Elections to the Board of Directors of the Association and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Association. Within fifteen (15) days of the election, the Board shall give General Notice to all Members of the tabulated results of the election (Civil Code section 5120 (b)).

(h) Retention of Ballots. After tabulation the sealed ballots, signed voter envelopes, voter list, proxies, and candidate registration list shall at all times remain in the custody of the Inspector(s) of Elections until such time as the period for challenging the election pursuant to Corporations Code section 7527 has expired, whereupon the Inspector(s) shall deliver the ballots to the Association to be stored in a secure place for no less than one year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the election materials available for inspection and review by Association Members or their authorized representatives (Civil Code section 5125). In order to ensure that ballots are not tampered with or removed entirely, the Inspector(s) of Elections shall be entitled to be in attendance at any such inspection. In the event that a recount of the ballots is required, the recount shall be conducted in a manner that shall preserve the confidentiality of each Member's vote.

(i) Election by Acclamation. If in any election of directors the number of candidates nominated (by the nominating committee or by self-nomination) on the date set for the close of nominations for open seats on the Board equals the number of director seats then up for election, then the Inspector(s) of Election may declare that the nominees have been elected by acclamation and dispense with the requirement and expense of mailing, counting and tabulating the ballots cast for the election, as contemplated by Civil Code sections 5115 through 5125 and subparagraphs (b) and (f), above. Such election by acclamation shall be deemed to satisfy the obligations and requirements of Civil Code section 5100 through 5110 and conducting an election by the use of secret ballots shall not be required in that situation. The authority conferred by this subparagraph (i) shall not affect the Association's obligation to adopt reasonable nomination and election procedures as required by Civil Code section 5105, including the adoption of qualifications for candidates, fair procedures for nomination (including self-nomination) and the selection of one or three Inspectors of Election to perform the duties and responsibilities stated in subparagraphs (d) through (h), above, to the extent that they apply to an election by acclamation.

Section 7.07. Conflicts of Interest. The provisions of Corporations Code sections 7233 and 7234 (relating to the manner in which transactions involving the Association in which a director(s) have a material financial interest must be approved either by a disinterested vote of the Board or by a disinterested vote of the Members) shall apply to any contract or other transaction authorized, approved, or ratified by the Board of Directors or a committee of the Board. Furthermore, a director or member of a committee shall not vote on any of the following matters:

- (a) Discipline of the director or committee member;
- (b) An Assessment against the director or committee member for damage to the Common Area or Common Facilities;
- (c) A request, by the director or committee member, for a payment plan for overdue Assessments;
- (d) A decision whether to foreclose on a lien on the Lot and Residence of the director or committee member;
- (e) Review of a proposed physical change to the Lot and Residence of the director or committee member, pursuant to Article V of the Declaration; and
- (f) A grant of Exclusive Use Common Area to the director or committee member.

Nothing in this Section 7.07 limits any other provision of law or the Governing Documents that govern a decision in which a director may have an interest and the Association Rules may include a Directors' Conflict of Interest Code that supplements or expands on this statutory list of what constitutes a conflict of interest or interested director transaction.

Section 7.08. Vacancies on Board of Directors.

(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 pursuant to subparagraphs (c) and (d) hereof; (ii) the Declaration by resolution of the Board of Directors of vacancy of the office of a director who has been declared of unsound mind by an order of court or convicted of a felony or has been found by final order or judgment of any court to have breached a duty under section 7230 and following of the California Mutual Benefit Nonprofit Corporation Law; (iii) an increase of the authorized number of directors; or (iv) the failure of the Members, in any election of directors, to elect the number of directors required to fill all vacancies in that election.

(b) Resignation of Directors. Except as provided in this subparagraph (b), 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 stated (in the resignation document) to be 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. Subject to the qualifications set forth in this subparagraph (c), 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;
- (ii) has been convicted of a felony;
- (iii) fails to attend three (3) consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law and these Bylaws; or
- (iv) fails to remain in Good Standing with the Association, as defined in Section 1.04(k), above.

In exercising its discretion to remove a director for his or her failure to attend duly noticed meetings, the Board may consider in mitigation such matters as: medical hardship, business travel, financial hardships, or other factors, being mindful, however, to the benefits that accrue to the Members, as a whole, from the active and regular participation of a full Board of Directors.

In the event that the basis for removal of an incumbent director is the director's failure to remain current in the payment of Assessment obligations to the Association, the Board shall take no action to declare the delinquent director's seat to be vacated unless and until the director has received the Pre-Lien Delinquency Notice prescribed in Section 4.10(b)(i) of the Declaration and Civil Code section 5660 and a period of at least thirty (30) days has elapsed following delivery of that Notice to the Director without payment in full of all delinquent Assessments and other duly levied fees, interest, and reasonable costs of collection. An incumbent director who is a party to a Board-approved payment plan to retire delinquent assessments in accordance with Civil Code section 5665 and who is in compliance with the terms of that plan shall be deemed to be in Good Standing for purposes of continued Board service unless the terms of the payment plan call for the director to resign from office.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraphs (c) and (g) of this Section 7.08, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members conducted in accordance with the secret ballot voting requirements set forth in Section 7.06, above.

(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 conducted by secret ballot in accordance with Section 7.06, above. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors by an election conducted in accordance with Section 7.06, above.

(f) Reduction in the Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director from office prior to expiration of that director's stated term.

ARTICLE VIII
MEETINGS OF THE BOARD OF DIRECTORS

Section 8.01. 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 Development or the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. The location of Board meetings shall ordinarily be within the Development unless in the judgment of the Board a larger meeting room is required than exists within the Development in which case the meeting room selected shall be as close as possible to the Development.

(b) Requirements for Conducting Board Meetings by Conference Telephone or Other Electronic Means. A regular or special meeting of the Board may be held by conference telephone, electronic video screen communications, or other communications equipment so long as the requirements of this subparagraph (b) are satisfied. Participation in a meeting through the use of conference telephone pursuant to this Section constitutes presence in person at the meeting as long as all directors, Members and other permitted meeting participants, if any, 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. In accordance with Civil Code section 4090(b) a telephone conference meeting of the Board shall be conducted in a manner that protects the rights of Members to attend the meeting (or the portion of a telephone conference meeting that is open to attendance by the Members pursuant to Section 8.06(a), below), and that meeting or portion of the meeting shall be audible to the Members in at least one physical location that is specified in the notice of the teleconference Board meeting and at least one director shall be present at that location.

Section 8.02. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 8.03. Other Regular Meetings. Ordinarily, regular meetings of the Board of Directors 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. In order to comply with Civil Code section 5500 (the obligation of the Board to review actual fiscal performance of the Association to budgeted projections of fiscal performance that had been provided to the Members as part of the Annual Budget Report) in no event shall the Board meet on less than a quarterly basis. 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 and to all Members 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 and to the Members in accordance with Section 8.05, below.

Section 8.04. 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 8.05. 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 prior to the date of the meeting; provided, however, that if the meeting qualifies as an Emergency Meeting (as defined in subparagraph (e), below) or is a special meeting that can be called in executive session (Section 8.06(e), below) the time for providing notice is forty-eight (48) hours prior to 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) or who attends the meeting without protesting, prior thereto or at the commencement of the meeting, the lack of notice to that director.

(b) Manner of Giving Notice to Directors. Each director shall be entitled to receive notice of meetings by any one of the following means: by first-class mail, by personal delivery, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by email mail, or other electronic means (so long as the director has provided his or her consent to the receipt of notices by electronic transmission).

(c) Notice Contents. The notice of any meeting of the Board shall state the time, place, and purpose of, and the agenda for, 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 8.06(a), below), except for "**Emergency Meetings**" (as defined in subparagraph (e), below), at least four (4) days prior to the date of the meeting. Unless an executive session meeting of the Board is called as an Emergency Meeting, Members are entitled to receive notice of executive session meetings at least two (2) days prior to the meeting, even though the Members may be excluded from attending the executive session under most circumstances (see Section 8.06(e)(iii), below, for Members' limited right of attendance). Notices of Board meetings shall include the agenda for the meeting and shall be given by any method of delivery constituting General Notice, unless a particular Member has notified the Association that he or she desires to have notices of Board meetings sent by some form of Individual Delivery. So long as a Member has consented to receipt of notices by email or other electronic transmission, notice of Board meetings may also be given to that consenting Member by electronic means (Civil Code section 4040(a)(2)).

In addition to the foregoing General Notice requirements for Members, Civil Code section 5855(a) provides that 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 Individual Delivery at least ten (10) days prior to 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) is/are being considered for disciplinary action, and a statement that the Member(s) has/ have a right to attend the meeting and address the Board concerning the disciplinary matter. The Board shall meet in executive session if requested by the Member who is the subject of the possible disciplinary action.

(e) Definition of an Emergency Meeting. For purposes of the Member notification requirements set forth in subparagraph (d), above, an “**Emergency Meeting**” of the Board is defined in Civil Code section 4923 to mean a meeting called by the President or by any two members of the Board (other than the President) under circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act (see Section 8.06, below). Notice of Emergency Meetings must still be provided to each director (unless the director signs a waiver of notice, in accordance with Section 8.08, below) at least four days in advance of the meeting if the notice is given by mail and at least forty-eight (48) hours prior to the meeting when notice is delivered to a director by one of the other means stated in Section 8.05(b), above.

Section 8.06. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the California Common Interest Development Open Meeting Act (California Civil Code section 4900 through 4950):

(a) Meetings Generally Open to Members; Definition of What Constitutes a “Meeting.” With the exception of executive session meetings of the Board (see subparagraph (e), below), any Member of the Association may attend meetings of the Board of Directors. For purposes of the Open Meeting Act, the term “meeting” includes (i) any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business that is within the authority of the Board, except those matters that may be discussed in executive session; and (ii) a teleconference in which a majority of the members of the Board, in different locations, are connected by electronic means, through audio or video or both (Civil Code section 4090). The Board may not take action on any item of business, as so defined, outside of a meeting, as so defined and use of a series of electronic transmissions (including emails) to conduct a meeting is not permitted except as a means of conducting an Emergency Meeting as defined in Section 8.05(e), above, if all members of the Board individually or collectively consent in writing to that form of Emergency Meeting. Written consent to conduct an Emergency Meeting may be transmitted electronically by the directors. In other respects, the authority that is generally conferred on nonprofit boards by California Corporations Code section 7211(b) to take action by unanimous written consent is not authorized under the Common Interest Development Open Meeting Act.

A Member of the Association shall be entitled to attend a teleconference meeting of the Board that is conducted in accordance with Section 8.01(b), above, or the portion of a teleconference meeting that is open to attendance by the Members, and that meeting or portion of the meeting shall be audible to the Members in a location specified in the notice of the meeting.

The phrase “*item of business*,” as used in the Open Meeting Act means any action within the authority of the Board, except those actions that the Board has validly delegated to any other person or persons, managing agent, officer of the association, or committee of the Board comprising less than a majority of the directors (Civil Code section 4155). Accordingly, if any number of directors congregate for the purpose of generally discussing or receiving advice or instruction on matters of general interest to the Members and/or the Development or matters related to laws or regulations governing common interest developments or nonprofit mutual benefit corporations, and the topics of discussion are not pending or scheduled as intended or possible action items for the Association, the congregation is not a “meeting” that is subject to the open meeting requirements of this Section 8.06. In the event that the decision is made to delegate authority to take certain actions to persons who are not directors or to a committee of the Board comprised of less than a majority of directors, the resolution authorizing that delegation shall clearly state the purpose of the delegation and the scope of authority that is being delegated.

(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 pursuant to subparagraph (e), below. Reasonable time limitations can be imposed by the Board or the chairman of the meeting 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. (Civil Code section 4925(b)).

(c) Meeting Agendas; General Restriction of Action to Items on the Agenda. As required by Civil Code section 4920(d) any notice of Board meetings that is required by law to be distributed or made available to the Members must include an agenda for the meeting. Except as provided in subparagraphs (i) through (iv) of this subparagraph (c) or subparagraph (d), below, the Board of Directors may not discuss or take action on any item at a non-Emergency Meeting of the Board unless the item was placed on the agenda that was included in the notice given to the Members. Members who are not on the Board may, however, speak on issues that are not on the agenda (Civil Code section 4930(a)). Notwithstanding the general rule that Board actions must be restricted to items shown on the meeting agenda, a member of the Board of Directors, a managing agent or other agent of the Board, or a member of the staff of the Board of Directors may do any of the following (Civil Code section 4930(b)):

(i) Directors, managing agents and other agents or staff members of the Board may briefly respond to statements made or question posed by a person speaking at an open Board meeting;

(ii) Directors, managing agents and other agents or staff members of the Board may ask a question for clarification, make a brief announcement, or make a brief

report on the director's own activities, whether in response to a question posed by a Member or passed on the director's own initiative;

(iii) The Board or any director may provide reference to, or provide other resources for factual information to, the Board's managing agent or other agents or staff;

(iv) The Board or any director may request the managing agent of the Association or other agents or staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct the managing agent, other agents or staff to place a matter of business on a future agenda;

(d) Authority to Take Action On Certain Items Not on the Published Agenda. Notwithstanding the general rule that Board actions must be restricted to items shown on the Board meeting agenda, the Board of Directors may take action on any item of business not appearing on the posted meeting agenda under any of the following conditions (Civil Code section 4930(d)):

(i) Upon a determination made by a majority of the Board of Directors present at the meeting that an emergency situation exists. An Emergency Situation exists if there are circumstances that could not have been reasonably foreseen by the Board, that require immediate attention and possible action by the Board, and that, of necessity, make it impracticable to provide notice.

(ii) Upon a determination made by the Board by a vote of two-thirds of the members of the Board who are present at the meeting, or, if less than two-thirds of total membership of the Board is present at the meeting, by a unanimous vote of the Board Members present, that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda for the meeting was posted and distributed to the Members; or

(iii) The item appeared on an agenda that was posted and distributed pursuant to the Members for a prior meeting of the Board of Directors that occurred not more than thirty (30) calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action is taken.

Before discussing any item pursuant to this subparagraph (d), the Board of Directors shall openly identify the item to the Members in attendance at the meeting.

(e) Executive Session Board Meetings.

(i) Definition of What Constitutes an Executive Session and What Matters May be Discussed in Executive Session. An executive session meeting of the Board is a meeting that is conducted by the Board of Directors that is not open to attendance by all Members and which is convened to consider and potentially to act upon one or more of the following matters only (Civil Code section 4935(a)):

- (A) litigation in which the Association is or may become a party. The term “litigation” includes not only civil actions, but also arbitration and mediation proceedings;
- (B) matters relating to the formation of contracts with third parties;
- (C) 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;
- (D) personnel matters; or
- (E) In the event that a Member who has received a Pre-Lien Notice from the Association pursuant to Civil Code section 5660 (regarding an Assessment delinquency) requests a meeting before the Board in executive session to discuss a payment plan, the Board shall meet with the Member in executive session within forty-five (45) days following receipt of the Member’s request, so long as the request is mailed within fifteen (15) days of the postmark of the Pre-Lien Notice. Civil Code section 5665.
- (F) In addition to the five justifications for meeting in executive session that are enumerated in Civil Code section 4935(a), in accordance with Evidence Code sections 950 through 955, the Board shall be entitled to meet in executive session with the Association’s legal counsel to discuss documents, transactions, potential litigation or other matters that are intended to come within the protection of the attorney-client privilege. The attorney-client privilege exists to protect against disclosure to third persons of information that the Association’s legal counsel recommends to be confined only to the members of the Board and other persons to whom disclosure of the information is reasonably necessary to accomplish the purposes for which the Association’s legal counsel has been consulted (Civil Code section 952).

(ii) Manner in Which Executive Session Meetings May be Called.

The Board can adjourn for purposes of meeting in an executive session, on the affirmative vote of a majority of the directors present at a meeting that is open to attendance by the Members at which a quorum has been established or an executive session meeting can be called independent from any open meeting of the Board (Civil Code section 4935(a)).

(iii) Reporting of Executive Session Meetings in the Minutes. 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 (Civil Code section 4935(e)). Although the phrase “generally noted in the minutes” is not further defined in Civil Code section 4935(e), any description of the actions or topics that are appropriately discussed or acted upon in an executive session meeting should be described in a manner that is consistent with the purpose and intent of the executive session, namely to preserve the confidentiality of what was discussed and the opinions that were expressed during the meeting.

(f) Board Meeting Minutes; Right of Members of Obtain 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 (Civil Code section 4950(a)). The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association’s costs in making that distribution. Members of the Association shall be notified in the Association’s Annual Policy Statement distributed to the Members pursuant to Civil Code section 5310 of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

Section 8.07. 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 8.09, below. 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 8.08. 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 8.09. 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 prior to 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. Compensation of Directors, Officers, and Committee Members. 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.

ARTICLE IX DUTIES AND POWERS OF THE BOARD

Section 9.01. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Section 7.01, above, the directors shall have the power to:

(a) Exercise all powers vested in the Board of Directors under the Governing Documents of the Association and under the laws of the State of California. See particularly Corporations Code section 7210.

(b) Appoint and remove all officers of the Association, the Association's property manager or property management company, if any (subject to any contractual obligations that may exist), and other Association employees; prescribe the 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) Adopt and establish rules and regulations subject to the provisions of Section 3.07 of the Declaration and Section 13.02 of these Bylaws, governing the use of the Common Areas and Common Facilities within the Development, 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 Section 13.06 of 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 Lots, Common Areas, Common Facilities and the roads within the Development.

(f) Contract for and pay premiums for fire, casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time to be maintained by the Association pursuant to Article X of the Declaration

(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 Common Areas, Common Facilities or other portions of the Development, if any, that the Association is obligated to maintain, repair or replace pursuant to Article VII of the Declaration.

(h) Pay all taxes, special assessments and other assessments and charges which 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 Development that the Association is obligated to maintain, repair and replace pursuant to Article XI of the Declaration and which have been damaged or destroyed and which 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 10.01, below.

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

(l) Perform all acts required of the Board of Directors under the Declaration, these Bylaws and the other Governing Documents of the Association.

(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 Budget Report in accordance with Civil Code section 5300. A copy of the Annual Budget Report and the year-end review of the Association's financial statement shall be delivered to each Member as provided in Section 12.05, below.

(n) If considered desirable by the Board, to appoint a Nominating Committee for the nomination of persons to be elected to the Board, and prescribe rules under which said Nominating Committee is to act, all as more particularly described in Section 7.04(c), above.

(o) 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, below.

(p) 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.

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

(r) 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.

(s) Enter Lots as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common. (See Section 3.07(b) of the Declaration).

Section 9.02. Limitations on Powers of the Board.

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

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

(ii) Assignments or Pledges of Future Assessment Obligations. 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;

(iii) Rules Unreasonably Restricting Sales. The Association shall not adopt a Rule or regulation that arbitrarily or unreasonably restricts an Owner's ability to market the Owner's Residence and Lot;

(iv) Exclusive Broker Relationships. The Association shall not establish an exclusive relationship with a real estate broker through which the sale or marketing of Residences or Lots is required to occur; or

(v) Use of Association Funds for Campaign Purposes. The Association shall be prohibited from using any Association funds for campaign purposes in connection with the election of directors. Funds of the Association may be used for campaign purposes in connection with any other Association election to the extent necessary to comply with duties of the Association that are imposed by law. For purposes of these limitations, "campaign purposes" include, but are not limited to: (A) expressly advocating the election or defeat of any candidate that is on the election ballot; and (B) inclusion of the photograph or prominently featuring the name of any candidate on a communication from the Association or its Board of Directors, excepting the ballot and ballot materials, within thirty (30) days of an election. This restriction shall not apply to any communication that is made in as part of an Association's efforts to ensure that all candidates are provided with access to Association media, newsletter, or Internet Web sites during a campaign, for purposes that are reasonably related to that election.

(b) Board Actions Requiring Member Approval. The Board of Directors shall not take any of the following actions without the consent of a simple majority of the Members constituting a quorum of more than fifty percent (50%) of the Voting Power of the Members of the Association:

(i) Enter into a contract with a third party for the furnishing of goods or services to the Common Areas or the Association for a term longer than one year. This restriction shall not apply to:

(A) FHA or VA approved management contracts;

(B) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(C) prepaid casualty or liability insurance policies not to exceed three years, provided the policies provide for short rate cancellation by the insured;

(D) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration; and

(E) any contract that is for a term not to exceed three years so long as the contract is terminable by the Association after no longer than one year without cause, penalty or other obligation upon ninety (90) days prior written notice of termination to the other party.

(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) Fill any vacancy on the Board of Directors created by the removal of a director by election of the Members.

(vi) Enter into a Residence or Lot 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 Section 3.06(b) of the Declaration.

ARTICLE X COMMITTEES

Section 10.01. Standing Committees of the Board. The Association shall have the following Standing Committees which shall be appointed annually by the Board of Directors:

(a) Architectural Review Committee. The Architectural Review Committee, if such a Committee is appointed by the Board pursuant to Section 5.01 of the Declaration, will have the responsibility of reviewing all plans for proposed Improvements that require Committee approval pursuant to Article V of the Declaration and proposed amendments to the Architectural Rules for review and approval by the Board. This Committee shall also prepare amendments to the Architectural Rules for review and approval by the Board. This Committee shall perform other duties as may be set forth in these Bylaws or in the Declaration (see particularly Articles V and VI of the Declaration).

(b) Nominating Committee. The Nominating Committee, if appointed by the Board, shall function in accordance with Section 7.04(c), above.

Section 10.02. Other Committees. In addition to the standing committees identified in Section 10.01, above, the Board of Directors shall be authorized and empowered to appoint additional committees to assist the Board and management in the effective pursuit of the Association's business and affairs. Such committees, if appointed, shall be advisory to the Board and the scope of their authority shall be as stated in the resolution creating the committee. Only members in Good Standing may serve on Association committees.

Section 10.03. Powers of Committees. 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 10.04. Meetings and Actions of Committees. Duly appointed committees of the Association shall meet with such frequency as is considered necessary or appropriate to accomplish the tasks and to perform the duties that have been delegated to the committee. All members of a committee shall receive at least forty-eight (48) hours' prior notice of meetings. Notices may be given in writing, electronically, or in person or by telephone (so long as committee member responds to the call or a voice mail message is left). Special meetings of committees may also be called by resolution of the Board of Directors. If a committee has alternate members, those persons shall also receive notice of committee meetings and shall have the right to attend 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. Unless otherwise provided in the Board resolution appointing a committee, all actions of the committee shall be recommendations to the Board and no committee shall have authority to bind the Association.

ARTICLE XI OFFICERS

Section 11.01. Officers. The officers of the Association shall be a President, a Vice President, a Secretary and a chief financial officer. The Association may also have, at the discretion of the Board, one (1) or more assistant secretaries, one (1) or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.03, below. Any person may hold two (2) or more offices, except that neither the Secretary nor the chief financial officer may serve concurrently as President.

Section 11.02. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.03 and 11.06, below, 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 11.03. 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 11.04. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to

make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

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

Section 11.07. President. The President shall be elected by the Board from among the directors. The President 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. The President 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.

Section 11.08. 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. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09. Secretary. The Secretary shall be elected by the Board from among the directors. The Secretary shall have the following duties: (a) maintaining or causing to be maintained, at the principal office of the Association, 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 at Members' meetings, and the proceedings thereof; (b) maintaining or causing to be maintained appropriate current records showing the Members of the Association, together with their addresses; (c) notice of all meetings of the Board and the Members that are required by these Bylaws or by law to be given; and (d) the Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

Section 11.10. Chief Financial Officer. The Chief Financial Officer, who shall be known as the Treasurer, shall be elected by the Board from among the directors. The Treasurer, shall: (a) keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties 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; (b) deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board; (c) disburse the funds of the Association as may be ordered by the Board; (d) 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 (e) shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws. The books and records of the Association shall at all reasonable times be open to inspection by any director or Member. If required by the Board, the Treasurer 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 12.01. Description of Assessments to Which Owners Are Subject. Owners of Lots within the Development are subject to Regular, Special, Special Individual and Emergency Assessments as more particularly described in Article IV of the Declaration.

Section 12.02. Maintenance of Association Accounts. The Association shall establish and maintain at least the following accounts:

(a) 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 Development.

(b) Reserve Accounts. In order to comply with the Reserve planning and funding requirements of Civil Code sections 5510 through 5570, the Association shall establish and maintain one or more *Reserve Accounts* into which shall be deposited those funds estimated in the Association's Reserve Study and Reserve Funding Plan to be needed to properly perform the Association's obligations to repair, replace, restore and maintain those major components of the Development for which the Association is responsible and which have a remaining useful life of less than thirty (30) years.

(c) Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes.

(d) Accounts Shall Be Maintained In Accordance with Generally Accepted Accounting Principles. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 12.03. Limitations on the Withdrawal of Funds from Association Accounts. The following limitations are imposed by the Davis-Stirling Act on the withdrawal of funds from Association accounts:

(a) Signing of Checks. All checks or demands for money and notes of the Association shall be signed by the President or 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 (2) directors or an officer (who is not also a director) and a director.

(b) Limitations on the Expenditure of Reserve Funds. In accordance with Civil Code section 5510(b) and except as provided in Civil Code section 5515, the Board shall not expend funds designated as Reserve Funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components of the Development that the Association is obligated to repair, restore, replace or maintain and for which the Reserve Fund was established.

(c) Requirement of Board Approval for Significant Fund Transfers. In accordance with Civil Code section 5502, transfers of greater than Ten Thousand Dollars (\$10,000.00) or five percent (5%) of the Association's combined Reserve and Operating Accounts, whichever is lower, shall not be authorized from the Association's Reserve or Operating Accounts without prior written approval of the Board of Directors.

Section 12.04. The Association's Annual Budget Report. Not less than thirty (30) days nor more than ninety (90) days before the end of the Association's fiscal year the Association shall distribute an Annual Budget Report to its Members.

(a) Required Content of the Annual Budget Report. The Annual Budget Report must include the following information:

(i) Pro-Forma Operating Budget. The Annual Budget Report shall include a pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(ii) A Summary of the Association's Reserves. The Annual Budget Report shall include a summary of the Association's Reserves, based on the most recent Reserve Study conducted pursuant to Civil Code section 5550, prepared pursuant to Civil Code Section 5565 and Section 12.07, below.

(iii) A Summary of the Association's Reserve Funding Plan. The Annual Budget Report shall include a summary of the Reserve Funding Plan adopted by the Board, as specified in Civil Code Section 5550(b)(5). The summary shall include notice to Members that the full Reserve Funding Plan is available upon request, and the Association shall provide the full Reserve Funding Plan to any Member upon request.

(iv) Disclosure of Decisions to Defer Major Repairs or Replacements of Major Capital Improvements That Are The Association's Responsibility. If the Board has decided not to undertake needed repairs or replacements of Major Capital Improvements for which the Association is responsible, the Annual Budget Report shall include a disclosure of that decision, including a justification for the deferral or decision not to undertake the repairs or replacement.

(v) Disclosure of Any Special Assessment(s) that is/are Needed to Abide by the Reserve Funding Plan. The Annual Budget Report shall include a statement as to whether the Board, consistent with the Reserve Funding Plan adopted pursuant to Civil Code Section 5560 and Section 12.07, below, has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any Major Capital

Improvements or to provide adequate Reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Special Assessment.

(vi) Statement of Anticipated Funding Methods. The Annual Budget Report shall include a statement as to the mechanism or mechanisms by which the Board will fund Reserves to repair or replace Major Capital Improvements, including the levy or increase in Assessments, borrowing, the use of other assets, deferral of selected replacement or repair projects, or alternative mechanisms.

(vii) A Statement of How Reserve Funding Requirements Have Been Calculated. The Annual Budget Report shall include a general statement addressing the procedures used for the calculation and establishment of those Reserves to defray the future repair, replacement, or additions to Major Capital Improvements within the Development. The statement shall include, but need not be limited to, Reserve calculations made using the formula described in Civil Code Section 5570(b)(4), and may not assume a rate of return on cash Reserves in excess of two percent (2%) above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made. NOTE: Subparagraph (e), below requires the Annual Budget Report to also include the Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Civil Code Section 5570.

(viii) Disclosure Regarding the Basic Terms of any Long-Term Loan Obligations. The Annual Budget Report shall include a statement as to whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(ix) Summary of Association-Maintained Insurance. Finally, the Annual Budget Report shall include a summary of the Insurance Policies that the Association is maintaining, including policies for property insurance, general liability insurance, earthquake, flood, and fidelity insurance. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it with the Annual Budget Report. The summary distributed pursuant to this subparagraph (ix) shall contain, in at least 10-point boldface type, the following statement:

This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the 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, upon request and provision of reasonable notice, review the Association's insurance policies and, upon 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 Separate Interest, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, 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.”

(b) Manner of Distributing the Annual Budget Report. The Annual Budget Report shall be made available to the Members by some form of Individual Delivery. Furthermore, if a Member requests full copies of the reports, full copies must be provided to that Member.

(c) Inclusion of Civil Code Assessment and Reserve Disclosure Summary Form. The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Section 5570, must accompany each Annual Budget Report or summary of the Annual Budget Report that is delivered pursuant to this Section. Although subparagraphs (a) (i) through (a)(ix) of this Section 12.04 often speak of a summary of various reports or documents being included in the Annual Budget Report, the Association may deliver copies of the full report or document and if a summary is provided, the summary shall include instructions on how to request a complete copy of the report at no cost to the Member shall be printed in at least 10-point boldface type on the first page of the summary and if a particular Member has requested that all reports be sent in full, the Association must deliver the full report to that Member, rather than a summary of the report. This Disclosure Summary, which is mandated to be distributed by law, shall not be construed to require the Board of Directors to fund reserves in accordance with the calculations that are required to be disclosed pursuant to Civil Code section 5565(d), although the Association's Reserve Funding Plan must indicate how the Association plans to fund the contributions required, as calculated in the Association's Reserve Study.

Section 12.05. Year-End Review of the Association's Financial Statement. Within one hundred twenty (120) days after the close of the fiscal year, the Association shall distribute to its Members, by Individual Delivery a review of the financial statement of the Association, prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy, for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000).

Section 12.06. Review of Accounts. In accordance with Civil Code Section 5500 on no less than a monthly basis, the Board of Directors shall:

- (a) Review a current reconciliation of the Association's Operating Accounts;
- (b) Review a current reconciliation of the Association's Reserve Accounts;
- (c) Review the current year's actual revenues and expenses compared to the current year's budget;
- (d) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and Reserve Accounts are lodged;
- (e) Review the Association's income and expense statement for the Operating and Reserve Accounts; and
- (f) Review the check register, monthly general ledger, and delinquent Assessment receivable reports.

The review requirements required by Civil Code section 5500 and this Section 12.06 may be met when every individual member of the Board, or a subcommittee of the Board consisting of the treasurer and at least one other Board member, reviews the documents and statements described in subparagraphs (a) through (f), above, independent of a Board meeting, so long as the review is ratified at the Board meeting subsequent to the review and that ratification is reflected in the minutes of that Board meeting (Civil Code section 5501).

Section 12.07. Required Reserve Studies. At least once every three (3) years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the Major Capital Improvements within the Development for which the Association is responsible and which have a remaining useful life of thirty (30) years or less as part of a study (each a “*Reserve Study*”) of the Association's Reserve Account requirements if the current replacement value of the Major Capital Improvements is equal to or greater than one-half of the gross budget of the Association, excluding the Association's Reserve Accounts for that period. The Board shall review this Reserve Study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Account requirements for the Association Capital Replacement Projects as a result of that review.

The Reserve Study required by this Section 12.07 shall at a minimum include the following information:

- (a) Identification of each of the Major Capital Improvements within the Development that the Association is obligated to repair, replace, restore or maintain that, as of the date of the Reserve Study, have a remaining useful life of less than thirty (30) years. Components with an estimated remaining useful life of more than thirty (30) years may be included in the Reserve Study as a capital asset or disregarded from the Reserve calculation, so long as the decision is revealed in the Reserve Study report and reported in the Assessment and Reserve Funding Disclosure Summary (Civil Code section 5570(b)(3));
- (b) Identification of the probable remaining useful life of the Major Capital Improvements identified in subparagraph (a) as of the date of the Reserve Study;
- (c) An estimate of the cost of repair, replacement, restoration, or maintenance of the Major Capital Improvements identified in subparagraph (a).
- (d) An estimate of the total annual contribution necessary to defray the cost the Association Capital Replacement Projects identified in subparagraph (a) during and at the end of the useful life of the Major Capital Improvements, after subtracting total Reserve Funds as of the date of the study.
- (e) A Reserve Funding Plan that indicates how the Association plans to fund the contribution identified in subparagraph (d) to meet the Association's

obligation for the repair and replacement of the Major Capital Improvements which have an expected remaining life of thirty (30) years or less, not including those components that the Board has determined will not be replaced or repaired. This Reserve Funding Plan shall also include a schedule of the date and amount of any change in Regular or Special Assessments that would be needed to sufficiently fund the Reserve Funding Plan. The Reserve Funding Plan shall be adopted by the Board of Directors at a meeting that is open to attendance to the Members.

If the Board determines that an Assessment increase is necessary to fund the Reserve Funding Plan, any increase shall be approved in a separate action of the Board that is consistent with the procedure described in Civil Code section 5605.

Section 12.08. Statutory Assessment and Reserve Funding Disclosure Summary. The disclosures required by the Association pursuant to this Article XII shall also be presented to the Members in summary form using the form that is set forth in Civil Code section 5570. 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 disclosures, the amount of Reserves needed to be accumulated for a *Major Capital Improvements* 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 of Directors to fund Reserves in accordance with the calculation that is required to be disclosed pursuant to Civil Code section 5565(d).

ARTICLE XIII OTHER REQUIRED REPORTS AND DISCLOSURES TO MEMBERS

In addition to the documents that the Association is required to distribute to the Members pursuant to Article XI, above, 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 as provided below.

Section 13.01. Annual Policy Statement. Within thirty (30) to ninety (90) days before the end of the Association's fiscal year, the Board of Directors shall distribute to the Members, by Individual Delivery, an Annual Policy Statement that provides the Members with information about Association policies. The Annual Policy Statement shall include all of the following information (Civil Code section 5310):

(a) Information Regarding Designated Association Contact Person. The name and address of the person designated to receive official communications to the Association, pursuant to Civil Code section 4035 (i.e., documents that the law or the Governing Documents require Members to deliver to the Association).

(b) Right to Request Sending of Information to Two Addresses. A statement explaining that a Member may submit a request to have certain notices sent to up to two different specified addresses, pursuant to Civil Code section 4040(b).

(c) Location for Posting of General Notices. The location, if any, designated for posting of a General Notice (in a prominent location in the Development that is accessible to all Members and designated for the posting of General Notices), pursuant to Civil Code section 4045(a)(3).

(d) Notice of Right to Receive Notices by “Individual Delivery”. Notice of a Member's option to receive General Notices by Individual Delivery, pursuant to Civil Code section 4045(b).

(e) Notice to Receive Minutes. Notice of a Member's right to receive copies of meeting minutes, draft minutes or a summary of the minutes within thirty (30) days of the meeting, pursuant to Civil Code section 4950(b).

(f) Annual Notice Form Regarding Assessments & Foreclosure Remedies. The notice, in at least 12-point type, entitled “NOTICE OF ASSESSMENTS AND FORECLOSURE” that the Association is required to deliver to its Members as part of the Annual Policy Statement, in the form set forth in Civil Code section 5730.

(g) Policy Statement Regarding Enforcement of Lien Rights. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments.

(h) Policy Statement Regarding Member Discipline & Fine Schedule. A statement describing the Association's discipline policy, if any, including any schedule of penalties for violations of the Governing Documents as required by Civil Code section 5850.

(i) Summary of Association Dispute Resolution Procedures. A summary of the Association's dispute resolution procedures (ADR and IDR) adopted by the Board pursuant and distributed to the Members in accordance with Civil Code sections 5920 and 5965. This notice must specifically reference Article 3 of Chapter 10 of the Davis-Stirling Common Interest Development Act and must include this statement:

“Failure by any Member of the Association to comply with the pre-filing requirements of Civil Code section 5930 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.”

(j) Summary of Requirements for Obtaining Architectural Approval of Improvement Projects. A summary of any requirements for approval of Improvement projects by the Architectural Committee pursuant to Article V of the Declaration (Civil Code section 4765).

(k) Mailing Address for Over-Night Payment of Assessments. The mailing address for overnight payment of Assessments which the Association must provide as convenience to its Members pursuant to Civil Code section 5655.

(l) Other Appropriate Information. Any other information that is required by law or the Governing Documents or that the Board determines to be appropriate for inclusion in the Annual Policy Statement.

Although subparagraphs (a) through (l) of this Section 12.01 often speak of a summary of various reports being included in the Annual Policy Statement, the Association may deliver copies of the full report and if a summary is provided, the summary shall include instructions on how to request a complete copy of the report at no cost to the Member shall be printed in at least 10-point boldface type on the first page of the summary and if a particular Member has requested that all reports be sent in full, the Association must deliver the full report to that Member, rather than a summary of the report. Civil Code section 5320.

Section 13.02. Notification to the Members of Rule Changes.

(a) Rule Changes Requiring Notification to Members. For purposes of this Section 13.02, a “**Rule Change**” is defined as any proposed action by the Board of Directors to adopt, amend, or repeal an **Operating Rule** (i.e., any regulation adopted by the Board that applies generally to the management and operation of the Development or the conduct of the business and affairs of the Association). See Civil Code section 4340. An Operating Rule is one that pertains to one of the following subjects: (i) use of the Association Common Areas of the Development; (ii) use of a Lot or Residence (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 disputes; (vi) any procedures for reviewing and approving or disapproving a proposed physical change to a Member's Unit pursuant to Article V of the Declaration; and (vii) procedures for the conduct of elections.

Specifically excluded from the definition of a Rule Change or an Operating Rule are the following: (i) a decision regarding maintenance of the Common Area; (ii) decisions on specific matters that are not intended to apply generally; (iii) decisions setting the amount of the Regular Assessment 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. Civil Code section 4360 requires the Board of Directors to provide notice pursuant to Civil Code section 4045 (“General Delivery”) of a proposed Rule Change, as defined in subparagraph (a), above, to the Members at least thirty (30) days prior to 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 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 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 by General Notice. 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 Member notification requirements for the preceding five categories of Operating Rules are intended to afford Members the right to demand that the Board conduct a special vote to rescind the proposed Rule Change in accordance with Civil Code section 4365 (which section sets forth procedures for a Member-initiated plebiscite to challenge the proposed Rule Change).

ARTICLE XIV MISCELLANEOUS

Section 14.01. Inspection of Books and Records.

(a) Member Inspection Rights.

(i) Scope of Inspection Rights of Members. All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board, the membership list of the Association (which now includes names, property addresses, mailing addresses and email addresses --- except for those Members who have opted out of having their personal information shared, as described in subparagraph (iii), below), and other documents that are defined as “*association records*”, “*enhanced association records*” and “*association election materials*” shall at all times, during reasonable business hours, be subject to the inspection of any Member in accordance with the requirements and restrictions set forth in Civil Code sections 5200 and 5240. Any Member who desires to inspect those records must submit a written request for inspection to the Association and that request must state a reason for the requested inspection that reasonably related to the Member's interests in the Association (Civil Code section 5225).

(ii) Prohibited Uses of Association Records and Documents. 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 purposes 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 (see also Civil Code section 5230) and the Association shall have the right, pursuant to Corporations Code section 8330(c) 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.

(iii) Association's Right to Withhold Information. In accordance with Civil Code section 5215(a). 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 identity 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; (C) the information is privileged by law (such as when required to protect the attorney-client privilege, information pertaining to litigation in which the

Association is involved or may become involved, information relating to confidential settlement agreements, and information that could compromise the privacy of an individual Member of the Association; or (D) interior architectural plans, including security features.. However, except as provided to protect the attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors or contractors (Civil Code section 5215(b)). 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.

(iv) The Right of Members to “Opt-Out” of Sharing Their Personal Information. Civil Code section 5220 gives Members of Associations the right to opt out of the sharing of that Member’s name, property address, mailing address or email address by notifying the Association in writing that the Member prefers to be contacted via the alternative process described in subdivision (c) of Section 8330 of the Corporations Code. This opt out shall remain in effect until changed by the Member. Given the general right of requesting Members to access email address information this right to opt-out of sharing personal information should be seriously considered by all Members.

(v) Time Deadlines for Providing Requested Information That is Available to Member Access and Inspection. Civil Code section 5210(b) establishes the following deadlines for the delivery of Association documents in response to a valid Member request:

(A) Association records prepared during the current fiscal year, within ten (10) business days following the association’s receipt of the request.

(B) Association records prepared during the previous two fiscal years, within thirty (30) calendar days following the association’s receipt of the request.

(C) Any record or statement available pursuant to Sections 5300), 5565, or 5810, within the timeframe specified therein.

(D) Minutes of Member and Board meetings, within thirty (30) days following the meeting (see Civil Code Section 4950).

(E) Minutes of meetings of committees with decision-making authority within fifteen (15) calendar days following approval.

(F) Membership list, within the timeframe specified in Section 8330 of the Corporations Code (essentially ten (10) days unless the Association offers another means of achieving the Member’s purposes without delivering actual copies of the membership list.

(vi) 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 through his or her duly appointed representative. If a Members designates another person to inspect and/or copy Association records that are open to Member inspection, that designation must be in writing.

(vii) 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 Development or if there is no such office at a mutually agreeable location as established by the Association and the Member who requests the inspection (Civil Code section 5205, subparagraphs (c) and (d)). If the Association and the requesting Member cannot agree upon a place for inspection and copying pursuant to this subparagraph or if the requesting Member submits a written request directly to the Association for copies of specifically identified records, the Association may satisfy the requirement to make the Association records available for inspection and copying by delivering copies of the specifically identified records to the Member by Individual Delivery within the time-frames stated in subparagraph (v), above (Civil Code section 5205(e)).

(viii) Cost of Copies. The Association may bill the requesting Member for its direct and actual cost of 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 and the stated cost is agreed to by the requesting Member (Civil Code section 5205(f)). In addition to the actual and direct costs of copying and mailing, the Association may bill the requesting Member an amount not in excess of ten dollars (\$10.00) per hour, and not to exceed two hundred dollars (\$200.00) total per written request and the Association shall inform the Member of the estimated costs before retrieving the requested information (Civil Code section 5205(g)). Except as otherwise provided in subparagraph (iii), above and in sections 4525 through 4535 of the Civil Code (which obligate associations to provide certain information to requesting Members), nothing in this subparagraph (viii) 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 under circumstances where the Association has made the information available for inspection and copying by the Member or his or her agent.

(ix) Electronic Delivery of Information. In accordance with Civil Code section 5205(h) requesting Members shall have the option of receiving specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that does not allow the records to be altered. Under such circumstances, the cost of duplication for purposes of subparagraph (viii), above, shall be limited to the direct cost of producing the copy of a record in that electronic format. The Association may deliver specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that prevents the records from being altered (Civil Code section 5205(h)).

(b) 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 the director believes to be in the best interests of the Association in determining what use and/or dissemination is to be made of information obtained in the director's exercise of his or her inspection rights.

(c) Adoption of Reasonable Inspection Rules. The Board of Directors may establish reasonable rules with respect to: (i) tender of notice of requests for inspection of records, (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.

Section 14.02. Property Manager. The Board of Directors may, from time to time, employ the services of a manager or property management company to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager or management company any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the manager or management company shall at all times remain subject to the general control of the Board.

Section 14.03. Roberts Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meetings which 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 14.04. Amendment or Repeal of Bylaws.

(a) Member Approval Requirements for Amendments. These Bylaws may be amended or revoked in any respect by the affirmative vote of not less than fifty-one percent (51%) of the Voting Power of the Members. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. Any vote to amend these Bylaws shall be conducted in accordance with the secret ballot voting procedures set forth in Section 7.06, subparagraphs (b), (d), (f), (g), and (h), above.

(b) Approval of Certain Amendments by Holders of First Mortgages. As provided in Section 14.12 of the Declaration, there are certain material amendments to the Bylaws (which are enumerated in that Section of the Declaration) which must also be presented to, and approved by, at least fifty-one percent (51%) of the Eligible Mortgagees who hold mortgages on Lots in the Development.

Section 14.05. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered in either the manner or form of delivery mandated by the Davis-Stirling Act or by Individual Delivery or General Delivery. If a document is delivered by mail, delivery is deemed to be complete on deposit into the United States mail. If a document is delivered by electronic means, delivery is complete at the time of transmission. If the Association or a Member has consented to receive information by electronic delivery, and a provision of the Davis-Stirling Act requires that the information be in writing, that requirement is satisfied if the information is provided in an electronic record capable of retention by the recipient at the time of receipt. An electronic record is not capable of retention by the recipient if the sender or its information processing system inhibits the ability of the recipient to print or store the electronic record.

Section 14.06. Indemnification of Agents.

(a) Indemnification by Association of Directors, Officers, Employees and Other Agents. To the fullest extent permitted by law, the Association shall indemnify its directors, officers, employees, and other agents described in Corporations Code section 7237, 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 of the Code and including an action by or in the right of the Association, by reason of the fact that such person is or was a person described by that section. “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 section 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 section 7237(e) whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Members present at the meeting in person 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 person seeking indemnification under paragraphs (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, officers, employees and other agents against other liability asserted against or incurred by any director, officer, employee or agent in such capacity or arising out of the director’s, officer’s, employee’s or agent’s status as such.

Section 14.07. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California 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.

CERTIFICATE OF THE SECRETARY

The undersigned Secretary of the Verdera Community Association hereby certifies that the above and foregoing Amended and Restated Bylaws, consisting of fifty-three (53) pages, were duly adopted by the affirmative vote of fifty-one percent (51%) of the Voting Power of the Members of the Association in a secret ballot vote that ended on February 24, 2022, and that they now constitute the Bylaws of the Association.

VERDERA COMMUNITY ASSOCIATION,
a California nonprofit mutual benefit corporation

By: _____
Name:
Its: Secretary