

SECOND RESTATED BYLAWS
OF
THE VINEYARDS OF SARATOGA

March 16, 2017

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SECOND RESTATED BYLAWS
OF
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ARTICLE I

Recitals and Definitions

Section 1.01. Name of Corporation. The name of this corporation shall be The Vineyards of Saratoga and shall be referred to herein as the "Association".

Section 1.02. Corporation is Non-Profit. This corporation has been formed pursuant to the California Non-Profit Corporation Law as a mutual benefit corporation.

Section 1.03. Specific Purpose. The specific and primary purposes of this Association shall be to manage the Common Area within that certain common interest development located in the County of Santa Clara, State of California and commonly referred to as The Vineyards of Saratoga, to Repair and Maintain the Common Area to the extent and in the manner more particularly described in the Covenants, Conditions and Restrictions, to enforce the Operating Rules adopted by the Board of Directors, as amended from time to time, and the terms and conditions of the Covenants, Conditions and Restrictions, to preserve and enhance property values and to otherwise promote the use and enjoyment of the Common Area and Association property by the Owners in common.

Section 1.04. Definitions.

(a) *Covenants, Conditions and Restrictions, or Declaration* shall mean all limitations, restrictions, covenants, terms and conditions set forth in the Second Restated Declaration of Covenants, Conditions and Restrictions recorded in the Office of the Recorder of the County of Santa Clara with respect to the Properties located in Tract No. 4892,

recorded November 6, 1970, Volume 9114, Page 175, filed September 3, 1970, Book 274, Pages 31 and 32, filed in the Office of the Recorder of the County of Santa Clara, State of California, and, Tract No. 5343, recorded November 6, 1970, Volume 9114, Page 175, filed April 13, 1973, Book 321, page 4, filed in the Office of the Recorder of the County of Santa Clara, State of California, as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder's Office.

- (b) *County* shall mean the County of Santa Clara, State of California.
- (c) *Director* shall mean a member of the Board of Directors of the Association.
- (d) *General Notice* means the following:
 - (i) If a provision of the Governing Documents requires "general delivery" or "General Notice," the document shall be provided by one or more of the following methods:
 - (1) Any method provided for delivery of an Individual Notice pursuant to Civil Code Section 4040.
 - (2) Inclusion in a billing statement, newsletter, or other document that is delivered by one of the methods provided in this Section 1.04.
 - (3) Posting the printed document in a prominent location that is accessible to all Members, if the location has been designated for the posting of General Notices by the Association in the Annual Policy Statement, prepared pursuant to Civil Code Section 5310.
 - (4) If the Association broadcasts television programming for the purpose of distributing information on Association business to its Members, by inclusion in the programming.
 - (ii) Notwithstanding Subsection (i), if a Member requests to receive General Notices by individual delivery, all General Notices to that Member, given under this Section, shall be delivered by Individual Notice. The option

provided in this Subsection (d) shall be described in the Annual Policy Statement, prepared pursuant to Civil Code Section 5310.

(e) *Individual Notice* means the following: If a provision of the Governing Documents requires that the Association deliver a document by “individual delivery” or “Individual Notice,” the document shall be delivered 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. The document shall be addressed to the recipient at the address last shown on the books of the Association.

(ii) E-mail, facsimile, or other electronic means, if the recipient has consented, in writing, to that method of delivery. The consent may be revoked, in writing, by the recipient.

(iii) Upon receipt of a request by a Member, pursuant to Civil Code Section 5260, identifying a secondary address for delivery of notices of the following types, the Association shall deliver an additional copy of those notices to the secondary address identified in the request:

(1) The documents to be delivered to the Member pursuant to Article 7 (commencing with Section 5300) of Chapter 6 of the Civil Code pertaining to the Annual Budget Report.

(2) The documents to be delivered to the Member pursuant to Article 2 (commencing with Section 5650) of Chapter 8, and Section 5710 of the Civil Code pertaining to Assessments.

(iv) An unrecorded provision of the Governing Documents providing for a particular method of delivery does not constitute agreement by a Member to that method of delivery.

(v) If the Association or a Member has consented to receive information by electronic delivery, and a provision of these Bylaws 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.

(f) *Office of Recorder* shall mean the Office of the Recorder, County of Santa Clara, State of California.

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

(h) *Properties* shall have the meaning set forth in Article I, Section 1.45, in the Covenants, Conditions and Restrictions.

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

(j) *Voting Power* shall mean the total membership of the Association eligible to vote, that is, all Members, except those suspended for default in payment of Assessments or otherwise under Section 15.06 of the Declaration.

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

ARTICLE II

Principal Office

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

ARTICLE III

Membership

Section 3.01. Members of the Association. Every Owner of a Unit within the Properties shall be a Member of the Association. Membership in the Association shall be appurtenant to, and may not be separate from, ownership of any Unit. Membership rights are subject to temporary suspension in the event that a Member is in default in the payment of Assessments or is otherwise in violation of these Bylaws, the Covenants, Conditions and Restrictions or the Operating Rules, provided that disciplinary action resulting in such suspension is taken in accordance with Article XV, Section 15.06 of the Covenants, Conditions and Restrictions.

Section 3.02. Term of Membership. Each Owner who is a Member shall remain a Member until the Owner no longer qualifies as such under Section 3.01 above.

Section 3.03. Multiple Ownership of Units. If more than one Person owns a Unit, all of said Persons shall be deemed to be one Member. In the case of multiple ownership, unless the Secretary of the Association is given written notice to the contrary, and is given a copy of the instrument or court order allocating voting rights differently, only one of such multiple Owners shall be entitled to vote the membership. The Secretary of the Association or the Association Manager shall be 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. In the absence of such designation, the Person voting shall be deemed the designated co-Owner for such vote. If more than one multiple Owner attempts to vote a membership, the Secretary or the inspector of elections may refuse to count any ballot pertaining to said Unit.

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 or Association Manager in writing that the Person is qualified to be a Member under Section 3.01 above, and has provided the Secretary or the Association Manager with evidence of such qualification in the form of a copy of a recorded grant deed, a currently effective policy of title insurance, or other satisfactory evidence, or in the absence of such evidence, the Secretary or the Association Manager may rely on the Association's then current membership list or the records of the County Assessor. Exercise of membership rights shall be further subject to the Rules regarding record dates for notice, voting and actions by written ballot set forth herein. Authentication of signatures shall occur as provided in Section 5.11 of these Bylaws.

ARTICLE IV

Membership Voting

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

Section 4.02. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Unit owned by such Member. Single memberships in which two (2) or more Persons have an indivisible interest shall be voted as provided in Article III, Section 3.03 of these Bylaws. The right of entity Members to vote shall be as follows: In the case of a corporation, the right shall be exercised by any designated officer or director of the corporation. In the case of a trust, the right of the Member shall be exercised by a trustee. In the case of a limited liability corporation, the right of the Member shall be exercised by a manager. In the case of a general partnership, the right of the Member shall be exercised by a partner.

Section 4.03. Eligibility to Vote. Only Members in Good Standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in Good Standing, a Member must be current in the payment of all Assessments levied against the Member's Condominium and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration (See Article XV, Section 15.06 of the Declaration).

A Member's Good Standing shall be determined as of the record date established in accordance with Section 5.08, below. A Member who owns more than one Condominium shall be ineligible to vote if that Member is delinquent with respect to any such Condominium.

The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of Assessments. Suspension of a Member's voting privileges for nonpayment of Assessments shall take effect automatically as soon as the Member becomes delinquent (See Section 6.01(d) of the Declaration).

A delinquent Member shall be entitled to request a hearing on the suspension of the Member's voting privileges in accordance with Article XV, Section 15.06(c) of the Declaration.

Section 4.04. Manner of Casting Votes. Voting may be by voice or by ballot, provided that elections concerning Assessments pursuant to Article VI of the Declaration, selection of members of the Association's Board of Directors pursuant to Section 7.04 of the Bylaws, amendments to the Governing Documents, or the grant of exclusive use of Common Area property pursuant to Section 4.07 of the Declaration, and Civil Code Section 4600 shall be held by secret ballot in accordance with the procedures set forth in Section 7.04(c).

Section 4.05. Proxies. The use of proxies is prohibited, except as provided in Sections 13.01 and 13.02 of the Declaration.

Section 4.06. Action by Written Ballot Without a Meeting.

(a) Any matter or issue requiring the vote of the Members may be submitted for vote by written ballot without a meeting of the Members, provided the requirements for action by written ballot set forth in this Section 4.06 and the provisions of California Corporations Code Section 7513 and 7516 are followed. However, written ballot votes concerning the subjects described in Section 7.04(c) shall be conducted in accordance with Section 7.04. The determination to seek Member approval for corporate action in this fashion shall be made by a majority of the Board or by Members having ten percent (10%) of the total votes of the membership signing a written request and delivering this request to the Secretary. In the event that any matter or issue is to be voted upon by written ballot, at least fifteen (15) days prior to the date the written ballots are to be received to be counted, the Board shall distribute the written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action and provide an opportunity to specify a choice between approval or disapproval of each matter or a group of matters to be acted upon. The written ballot shall provide a reasonable time within which to return the written ballot to the Association and shall state on its face or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The time fixed for the return of ballots may only be increased if the Board has notified the Members in writing in the initial ballot of its right to do so and elects to do so in writing prior to expiration of the balloting period and then for no more than sixty (60) days from the initial return date of the ballots.

(b) Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting of Members authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the action at a meeting of Members.

(c) Written ballots shall be solicited in a manner consistent with the requirements of Article V, Section 5.04(c) pertaining to the giving of notice of Members' meetings. All solicitations of written ballots shall indicate the number of responses needed to meet the quorum requirement for valid action and shall state the percentage of approvals necessary to pass the measure submitted. If deemed necessary by the Board, the ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this Section, as may be prescribed by a firm of certified public accountants of good repute who may also be retained to supervise the secrecy and control of the vote.

(d) Upon tabulation of the ballots, the Board shall notify the Members of the outcome of the balloting process. If insufficient votes to constitute a quorum are cast, the Board shall so notify the Members. Once exercised, a written ballot may not be revoked.

Section 4.07. Only Majority Vote of Members Represented at Meeting Required, Unless Otherwise Specified. If a quorum as defined in Article V, Section 5.05, of these Bylaws is present, the affirmative vote of the majority of the Members represented at the meeting, 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 California's Non-Profit Corporation Law, by the Articles of Incorporation, by the Bylaws or by the Covenants, Conditions and Restrictions of the Association.

ARTICLE V

Membership Meetings

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

Section 5.02. Annual Meeting. There shall be an annual meeting of the Members on the second Thursday in February of each year at an hour to be determined by the Board. If for any reason it is impossible or impractical to hold the annual meeting on such date, the meeting shall be held at such time within thirty (30) days preceding or following such date, as the Board shall determine. The annual meeting shall be informational only unless there are one or more voting issues to be presented to the Members which are not conducted by secret ballot election.

Section 5.03. Special Meetings.

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

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

Section 5.04. Notice of Members' Meetings.

(a) All notices of meetings of Members (whether annual or special) shall be sent or otherwise given in writing to each Member who, on the record date for notice of the meeting (Article V, Section 5.08) is entitled to vote thereat, in accordance with Subsection (c) of this Section 5.04, not less than ten (10) nor more than ninety (90) days before the date of the meeting, stating (1) 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 (2) in the case of an annual meeting, those matters which 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. 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) nor more than ninety (90) days before the meeting.

(b) If action is proposed to be taken at any 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 states the general nature of the proposal(s):

- (1) Removing a Director without cause.
 - (2) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Article VII, Section 7.05 of these Bylaws.
 - (3) Amending the Articles of Incorporation, these Bylaws or the Covenants, Conditions and Restrictions in any manner requiring approval of the Members.
 - (4) 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.
 - (5) Approving a plan of distribution of assets, other than cash, in liquidation.
 - (6) Approving any change in the Association's Assessments in a manner requiring membership approval under the Covenants, Conditions and Restrictions.
 - (7) Voting upon any election to voluntarily wind up and dissolve the corporation.
- (c) Notice of any meeting of Members shall be given either personally or by first-class mail, or other means of written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (1) notice is sent to that Member by first class mail or telegraphic or other written communication to the Association's principal office, or (2) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at that time when delivered personally or seventy-two (72) hours following deposit in the mail. In the event that the Association regularly sends its Members a newsletter or magazine, the requirement of written notice hereunder may be satisfied by setting forth the required information in said newsletter or magazine so long as it is addressed and mailed or delivered to the Member at the Member's address as shown on the books of the Association.

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

Section 5.05. Quorum Requirements.

(a) Twenty-five percent (25%) of the Voting Power of Members, represented in Person or by secret ballot, shall constitute a quorum for the transaction of business at an annual or special meeting of the Members; provided, however, that at any meeting actually attended in Person by less than one-third (1/3rd) of the Voting Power of Members (but at which a quorum is present) the only matters upon which action can be validly taken are those matters the general nature of which was described in the notice of meeting pursuant to Section 5.04 of this Article V. The quorum requirements of this Section 5.05 also shall apply to votes of the membership by secret ballot pursuant to Section 7.04 of the Bylaws. Notwithstanding anything herein to the contrary, a quorum for purposes of obtaining membership approval of Special Assessments or increases in Regular Assessments as may be required by Article VI, Sections 6.02(a) and 6.03(c) of the Covenants, Conditions and Restrictions means more than fifty percent (50%) of the Owners.

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

Section 5.06. Adjourned Meeting. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of Members represented at the meeting. Unless there is an absence of a quorum, the adjourned meeting may take any action which might have been transacted at the original meeting. When a Members' meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. No meeting may be adjourned for more than forty-five (45) days. If, after adjournment, a new record date is fixed for notice or voting, a notice of the adjourned meeting must be given to each Member who, on the record date for notice of the meeting, is entitled to vote thereat.

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) The transactions of any meeting of Members, either annual or special, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum is present and if, either before or after the meeting, each Person entitled to vote, who was not present in Person, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of Members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 5.04(b) of this Article V, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(b) Attendance by a Person at a meeting also shall constitute a waiver of notice of that meeting, except when the Person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Also, 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(b) of this Article V, if that objection is expressly made at the meeting.

Section 5.08. Record Dates for Member Notice, Voting and Giving Consents.

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

(1) In the case of determining those Members entitled to notice of a meeting, not more than ninety (90) nor less than ten (10) days before the date of the meeting.

(2) In the case of determining those Members entitled to vote at a meeting, not more than sixty (60) days before the date of the meeting.

(3) In the case of determining Members entitled to cast written ballots, not more than sixty (60) days before the day on which the first written ballot is mailed or solicited.

(4) In the case of determining Members entitled to exercise any rights in respect to other lawful action, not more than sixty (60) days prior to the date of such other action.

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

(1) Record Date for Notice of Meetings. Unless fixed by the Board, the record date for determining those Members entitled to receive notice of a meeting of Members, shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(2) Record Date for Voting. Unless fixed by the Board, the record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(3) Record Date for Action by Written Ballot Without Meeting. Unless fixed by the Board, the record date for determining those Members entitled to vote by written ballot on proposed corporate actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. 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.

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

(5) "Record Date" Means as of Close of Business. For purposes of this paragraph (b) a Person holding a membership as of the close of business on the record date shall be deemed the Member of record.

Section 5.09. Open Forums. In addition to the annual and special meetings discussed in Sections 5.02 and 5.03 of this Article V, the Secretary of the Association shall be entitled to call informal meetings of the membership, to be known as Open Forums, for

the purpose of discussing problems common to Members residing in a particular area within the Properties or problems common to all Members. Open Forums shall be called on written notice delivered to all Members at least five (5) days before the date of the meeting. The notice shall set forth the date, time and place of the Open Forum and the general nature of each item to be discussed. Although the Members attending the Open Forum may discuss any issue that has been noticed, no formal action may be taken at the meeting, such action being reserved to membership meetings satisfying the requirements of Sections 5.01 through 5.08 of this Article V.

Section 5.10. Meeting Procedure. Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. The Board shall permit any Member of the Association to speak at any meeting of the Association. A reasonable time limit for all Members of the Association to speak before a meeting of the Association shall be established by the Board. The regular and special meetings of the Members may not be recorded by any electronic device without the consent of the chair of the meeting. If such consent is granted, it shall be duly noted in the minutes of the meeting.

Section 5.11. Authentication of Signatures.

(a) If the name signed on a ballot, consent or waiver corresponds to the record name of a Member, the Association, if acting in good faith, is entitled to accept the ballot, consent or waiver and give it effect as the act of the Member.

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

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

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

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

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

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

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

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

(e) Association action based on the acceptance or rejection of a ballot, consent or waiver under this Section 5.11 is valid unless a court of competent jurisdiction determines otherwise.

ARTICLE VI

Membership Rights

Subject to the provisions hereof and the provisions of the Covenants, Conditions and Restrictions, the Members shall have the following rights:

Section 6.01. Use and Enjoyment of the Common Area. Each Member shall be entitled to the use and enjoyment of the Common Area and Common Facilities within the Properties, except as the Common Area is restricted as more particularly set forth in the Governing Documents.

Section 6.02. Use of the Common Area by Household Members. In the interests of safety, and of enforcing the Governing Documents at the request of the Association, a Member shall provide to the Secretary or managing agent a written statement setting forth the names of the occupants of the Member's Unit who may use and enjoy the Common Area and Common Facilities within the Properties.

Section 6.03. Tenants. Subject to the Covenants, Conditions and Restrictions, including but not limited to Article IV, Section 4.02, and Article X, Section 10.01, each Member shall have the right to assign the Member's rights as a Member (other than voting rights and qualification to serve as a Director or as a committee member) to a Tenant residing within said Member's Unit. Such assignment shall only be effective so long as said Tenant is so residing in said Member's Condominium and is in compliance with the Covenants, Conditions and Restrictions and the Operating Rules, as the same may exist from time to time. At all times the Member shall remain responsible for compliance by the Member's Tenant with the provisions of these Bylaws, the Covenants, Conditions and Restrictions and the Operating Rules. During the period of any Lease or rental of a Unit, neither the Member nor the Member's Guests shall be entitled to use the Common Facilities except to the extent reasonably necessary to perform the usual responsibilities of a landlord or to ensure or gain compliance by the Tenant with the requirements of these Bylaws and the Covenants, Conditions and Restrictions.

Section 6.04. Guests. The Guests of a Member or assignee of the Member under Section 6.03 above shall have the right to use and enjoy the Common Area, recreation facilities and roads within the Properties, subject to the terms of the Covenants, Conditions and Restrictions, and further subject to the Operating Rules. Keys to Common Area facilities shall remain under a Member's or Tenant's control at all times.

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

Section 6.06. Estoppel Procedure. Within thirty (30) days after written demand is delivered to the Association by any Owner, and upon payment to the Association of a reasonable fee, as fixed from time to time by the Board, the Board shall cause to be issued to the Owner an estoppel certificate, certifying, with respect to any Lot of said Owner, that as of the date thereof, either: (i) all improvements made and other work completed by said Owner comply with this Declaration, and that the Owner is otherwise in compliance with the Governing Documents or (ii) such improvements or work do not so comply, or the Owner is not in compliance with the Governing Documents, in which event the certificate also shall identify the non-complying improvements or work, or other violation, and set forth with particularity the basis of such non-compliance.

The Association shall have the right to enter into a Unit and the Exclusive Use Common Area which is appurtenant to it, on forty-eight (48) hours advance written notice when a sale or other transfer is pending. Following such inspection, the Board shall cause to be issued to the Owner an estoppel certificate, certifying, with respect to any Lot of said Owner, that as of the date thereof, either: (i) all improvements made and other work completed by said Owner comply with this Declaration, and that the Owner is otherwise in compliance with the Governing Documents or (ii) such improvements or work do not so comply, or there are other existing violations, in which event the certificate also shall identify the non-complying improvements or work, or other violation, and set forth with particularity the basis of such non-compliance. An estoppel certificate identifying any violation of the Governing Documents shall not be issued to the Owner until the Association has provided the Owner with notice and an opportunity to be heard concern same.

The Association may impose a reasonable charge for the services described herein, to be paid in advance by the Owner.

Any purchaser from the Owner, or from anyone deriving any interest in a Lot through him, shall be entitled to rely on the certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners, and such Persons deriving any interest through them.

ARTICLE VII

Board of Directors

Section 7.01. General Corporate Powers. Subject to the provisions of the California Non-Profit Corporation Law, and any limitations in the Governing Documents

relating to action requiring approval by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors consisting of seven (7) Persons who shall be Members in Good Standing, provided, however, that no two Persons owning the same Unit may serve as Director at the same time. No Person may serve as a Director who has been convicted of a felony. The right of entity Members to have a representative sit on the Board shall be as follows: In the case of a corporation, the right shall be exercised by any designated officer or director of the corporation. In the case of a trust, the right of the Member shall be exercised by a trustee. In the case of a limited liability corporation, the right of the Member shall be exercised by a manager. In the case of a general partnership, the right of the Member shall be exercised by a partner. In addition, an agent of a Member which is not a natural Person, is qualified to be nominated to serve on the Board provided that the agent presents satisfactory written evidence to the inspector of election of his or her authority to so serve on behalf of the agent's principal. Subject to the limitations expressed in Article X, Section 10.01, the Board may delegate the management of the activities of the Association to any Person or Persons, management company or committee, provided that notwithstanding any such delegation, the activities and affairs of the Association shall continue to be exercised under the ultimate direction of the Board.

Section 7.02. Term of Office. Each Director elected shall hold office for a term of two (2) years and until a successor Director has been elected and qualified. A Member elected or appointed to fill an unexpired Board vacancy shall serve for the unexpired term of the Member's predecessor. Three (3) Directors shall be elected in each odd numbered year and four (4) Directors shall be elected in each even numbered year. The date of commencement of the term of office of a Director shall be as specified in the ballot by which the Director was elected, and in the absence of such a specification, the date of commencement of the term of a Director shall be the date of the first meeting of the Board of Directors following the determination of the election of such Director by the election inspector. Each Director shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, unless the Director has been removed from office.

Section 7.03. Nominations of Directors.

(a) **Candidates Selected by Nomination Committee.** At least sixty (60) days prior to the date of any election of Directors, the Board shall appoint a Nomination Committee to select qualified candidates for election to those positions on the Board of Directors held by Directors whose terms are then expiring. The Nomination Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members

of the Association who may or may not be Board members. The Nomination Committee shall make its report to the Board at least thirty (30) days before the date of the election. The Nomination Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled. Members in Good Standing may be nominated as candidates for election to the Board.

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

(c) Self-Nomination. A Member may nominate himself or herself as a candidate in a Director election by giving notice to the Nomination Committee, or to the inspector of elections, at least fifteen (15) days before the planned mailing of the Ballots. Candidates may not be nominated from the floor, and write-in candidates are prohibited.

(d) Good Standing Requirement for Candidacy. In order to be eligible for nomination, election and service on the Board, the Association Secretary or the inspector of elections must certify that the candidate-Member is in Good Standing with the Association.

(e) Election by Acclamation. If the number of eligible candidates nominated by the Nomination Committee and/or by self-nomination is equal to or less than the number of vacancies to be filled on the Board as of the time for close of nominations established by the Board, the election of Directors described in Section 7.04 need not be held. Those eligible nominated candidates shall be deemed to be appointed to fill the vacancies by the remaining seated Directors and such eligible candidates also shall be deemed to have been elected to the Board by acclamation.

Section 7.04. Secret Ballot Elections.

(a) Annually, the Members shall elect Persons to those positions on the Board of Directors held by Directors whose terms are then expiring. The Persons thus elected shall be selected from among those Persons nominated pursuant to Section 7.03 above. The Directors thus elected shall take office immediately upon the announcement of the election results.

(b) Cumulative voting for the election of Directors is prohibited. Voting for Directors shall be by secret written ballot, and the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

(c) An election regarding Assessments pursuant to Article VI of the Declaration, selection or removal of members of the Association's Board of Directors pursuant to this Section 7.04 of the Bylaws, amendments to the Governing Documents, other than the Association Rules and Architectural Standards, or the grant of exclusive use of Common Area property pursuant to Section 4.07 of the Declaration, and Civil Code Section 4600 shall be held by secret ballot in accordance with the procedures set forth in this Subsection (c). The following secret ballot election procedures also shall apply to an election on any topic that is expressly identified in the Operating Rules as being governed by this Section.

(1) The Association shall select an independent third party or parties as an inspector of election. The number of inspectors of election shall be one or three.

(2) For the purposes of this Subsection (c), an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a Member of the Association, but may not be a member of the Board of Directors or a candidate for the Board of Directors or related to a member of the Board of Directors or a candidate for the Board of Directors. An independent third party may not be a Person who is currently employed or under contract to the Association for any compensable services unless expressly authorized by Rules of the Association adopted pursuant to Section 5.08(e) of the Declaration.

(3) The inspector or inspectors of election shall do all of the following:

- (A) Determine the number of memberships entitled to vote and the Voting Power of each.
- (B) Receive ballots.
- (C) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- (D) Count and tabulate all votes.
- (E) Determine when the polls shall close.
- (F) Determine the tabulated results of the election.

- (G) Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with Civil Code Sections 5100-5135, the Corporations Code and the Governing Documents of the Association regarding the conduct of the election that are not in conflict with said Sections.
- (4) The inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three inspectors of election, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the inspector or inspectors of election is prima facie evidence of the facts stated in the report.
- (5) Ballots and two (2) preaddressed envelopes with instructions on how to return ballots shall be mailed by general delivery by the Association to every Member not less than thirty (30) days prior to the deadline for voting. In order to preserve confidentiality, a voter may not be identified by name, address, or lot, parcel, or unit number on the ballot. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including all of the following:
 - (A) The ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, the voter prints and signs his or her name, and indicates the address, or separate interest identifier that entitles him or her to vote.
 - (B) The second envelope is addressed to the inspector or inspectors of election, who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the inspector or inspectors of election. The Member may request a receipt for delivery.
- (6) All votes shall be counted and tabulated by the inspector or inspectors of election in public at a properly noticed open meeting of the Board of Directors or 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 management company, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated. However, the inspector of election, or his or her designee, may verify the Member's information and signature on the outer envelope prior to the meeting at which the ballots are tabulated. Once a secret ballot is received by the inspector of elections, it shall be irrevocable.

- (7) The tabulated results of the election shall be promptly reported to the Board of Directors of the Association and shall be recorded in the minutes of the next meeting of the Board of Directors and shall be available for review by Members of the Association. Within fifteen (15) days of the election, the Board shall give General Notice of the tabulated results of the election.
- (8) The sealed ballots at all times shall be in the custody of the inspector or inspectors of election or at a location designated by the inspector or inspectors until after the tabulation of the vote, and until twelve (12) months has expired, at which time custody shall be transferred to the Association. In the event of a recount or other challenge to the election process, the inspector(s) shall, upon written request, make the ballots available for inspection and review by Association Members or their authorized representatives. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.
- (9) After the transfer of the ballots to the Association, the election ballots shall be stored by the Association in a secure place for no less than one year after the date of the election.
- (10) Association funds shall not be used for campaign purposes in connection with any Association Board election. Funds of the Association shall not be used for campaign purposes in connection with any other Association election except to the extent necessary to comply with duties of the Association imposed by law.
- (11) For the purposes of this Section "campaign purposes" include, but are not limited to, the following:

- (A) Expressly advocating the election or defeat of any candidate that is on the Association election ballot.
- (B) Including the photograph or prominently featuring the name of any candidate on a communication from the Association or its Board, excepting the ballot and ballot materials, or a communication that is legally required, within thirty (30) days of an election, provided that this is not a campaign purpose if the communication is one for which subdivision (a) of Civil Code Section 5105 requires that equal access be provided to another candidate or advocate.

Section 7.05. Vacancies on Board of Directors.

(a) A vacancy or vacancies on the Board of Directors shall be deemed to exist on the occurrence of any of the following: (1) the death or resignation of any Director or the removal of a Director pursuant to Subsection (d) hereof; (2) the failure of the Members, at any meeting of Members at which any Director or Directors are to be elected, to elect the number of Directors to be elected at such meeting.

(b) Except as provided in this paragraph, any Director may resign, which resignation shall be effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may appoint a successor to take office when the resignation becomes effective.

(c) Vacancies on the Board shall be filled by a majority vote of the remaining Directors, though less than a quorum, or by a sole remaining Director. The successor Director shall serve for the unexpired term of his or her predecessor. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors, but any such election or written ballot shall require the approval of a majority of the Voting Power. A vacancy created by the removal of a Director can be filled only by election of the Members.

(d) The Board of Directors shall have the power and authority to remove a Director and declare such office vacant if the Director has: (1) been declared of unsound mind by a final order of court; (2) been convicted of a felony; (3) been found by a final order or judgment of any court to have breached any duty under Sections 7230-7236 of the California Non-Profit Corporation Law (relating to the standards of conduct of Directors); (4) failed,

without excused absence from the Board, to attend three (3) consecutive regular meetings of the Board which have been duly noticed in accordance with California law; or (5) becomes more than ninety (90) days delinquent in the payment of Assessments. Except as otherwise provided in the immediately preceding sentence and in Subsection (e) hereof, a Director may only be removed from office prior to expiration of the Director's term by the affirmative vote of a majority of a quorum of the Members by secret ballot as required by the procedures set forth in Section 7.04.

(e) The vote required to remove a Director shall be as set forth in Corporations Code Section 7222(a).

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

Section 7.06. Limitation on Liability of the Association and the Association's Directors and Officers.

(a) No member of the Board of Directors or officers, committee members or employees of the Association shall be personally liable to any of the Association's Members or to any other Person, for any error or omission of any such Person, their agents, representatives and employees, in the discharge of their duties and responsibilities hereunder or under the Bylaws, or for their failure to provide any service required hereunder or under the Bylaws; provided that such Person, officer, employee or manager has, upon the basis of such information as may be possessed by him or her, acted reasonably and in good faith. Without limiting the generality of the foregoing, this limitation on liability shall extend to such matters as the establishment of the Association's annual financial budget and the funding of Association capital replacement and reserve accounts.

(b) Each Owner and Tenant, on behalf of the Owner, the Owner's heirs, successors, assigns and Tenants agrees not to make any claim against the Association or any member of its Board, or any of its officers, committee members, agents or employees for or on account of any loss, damage or conduct coming within the limitations on liability referred to in this Section 5.10 and agrees to indemnify each of them against, and hold each of them harmless from, any such claim made by any member of the Owner's Household, any of the Owner's Guests, servants, employees, Tenants, licensees or invitees or the heirs, successors or assigns of any such Person.

Section 7.07. Standing. The Association shall have standing to institute, defend, settle or intervene in litigation, arbitration, mediation or administrative proceedings in its

own name as a real party in interest, and without joining with it the Owners, in matters pertaining to the following:

- (a) Enforcement of the Governing Documents.
- (b) Damage to the Common Area.
- (c) Damage to the separate interests which the Association is obligated to Repair.
- (d) Damage to the separate interests which arise out of, or is integrally related to, damage to the Common Area, or separate interests that the Association is obligated to Maintain or Repair.

ARTICLE VIII

Board Meeting

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

Section 8.02. Meetings of Directors. Within thirty (30) days following the election of Directors, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Reasonable notice of this meeting shall be given to the Members. Regular meetings shall be conducted at least quarterly.

Section 8.03. Notice of Regular and Special Session Meetings. Notices of regular and special meetings of the Board of Directors shall be given to the Board members upon four (4) days' notice by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other

electronic means. Notice of the date, time and location of all regular Board meetings also shall be given to the Members at least four (4) days prior to the meeting by General Notice, except for an emergency meeting.

Section 8.04. Notice of Executive Sessions; Emergency Sessions. Except for an emergency meeting, Members shall be given General Notice of the time and place of a meeting that will be held solely in executive session at least two (2) days prior to the meeting. An emergency meeting of the Board of Directors may be called by the President, or by any two (2) members of the Board of Directors other than the President, if there are 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 notice as required by this Section. The notice shall contain the agenda for the meeting.

Section 8.05. Agenda.

(a) Except as described in Subsections (b) to (d), inclusive, of this Section 8.05, the Board of Directors may not discuss or take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice that was posted or distributed pursuant to Section 8.03. This Section does not prohibit a Member who is not a member of the Board from speaking on issues not on the agenda.

(b) Notwithstanding Subsection (a), a member of the Board of Directors, a managing agent, or other agent of the Board of Directors, or a member of the staff of the Board of Directors, may do any of the following:

(1) Briefly respond to statements made or questions posed by a Person speaking at a meeting as described in Section 8.06(a)

(2) Ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities, whether in response to questions posed by a Member of the Association or based upon his or her own initiative.

(c) Notwithstanding Subsection (a), the Board of Directors or a member of the Board of Directors, subject to Rules or procedures of the Board of Directors, may do any of the following:

(1) Provide a reference to, or provide other resources for factual information to, its managing agent or other agents or staff.

(2) Request its managing agent or other agents or staff to report back to the Board of Directors at a subsequent meeting concerning any matter, or take action to direct its managing agent or other agents or staff to place a matter of business on a future agenda.

(3) Direct its managing agent or other agents or staff to perform administrative tasks that are necessary to carry out this Subsection.

(d)(1) Notwithstanding Subsection (a), the Board of Directors may take action on any item of business not appearing on the agenda posted and distributed pursuant to Section 8.03 under any of the following conditions:

(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 (2/3rds) of the Board members present at the meeting, or, if less than two-thirds (2/3rds) 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 was posted and distributed pursuant to Section 8.03.

(iii) The item appeared on an agenda that was posted or distributed pursuant to Section 8.03 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.

(d) (2) Before discussing any item pursuant to this Section, the Board of Directors shall openly identify the item to the Members in attendance at the meeting.

Section 8.06. Attendance by Members and Association Manager.

(a) With the exception of executive sessions of the Board (see Subsection (c), below) and emergency meetings of the Board as defined in Civil Code Section 4923, all meetings of the Board shall be open to Members of the Association provided that non-Director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of a quorum of the Board. However, the Board shall permit any Member of the Association to speak at any meeting of the Board, except for meetings of the Board held in executive session. A reasonable time limit for all Members of the Association to speak to the Board shall be established by the Board. The Association Manager may, at the Board's discretion, attend regular and special meetings. As used in this Section, "meeting" includes: (1) any congregation of a quorum of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session; and (2) a teleconference in which a quorum of the members of the Board, in different locations, are connected by electronic means, through audio or video or both.

(b) A Member of the Association shall be entitled to attend a meeting as provided in this Section 8.06 or the portion of a meeting that is open to Members. Except for a meeting that will be held solely in executive session, a notice of the teleconference meeting shall identify at least one physical location so that Members of the Association may attend and at least one member of the Board of Directors or a Person designated by the Board shall be present at that location. Participation by Board members in such a meeting constitutes presence at that meeting as long as all Board members participating in the meeting are able to hear one another and Members of the Association speaking on matters before the Board.

(c) The Board may adjourn a meeting and reconvene in executive session pursuant to Civil Code Section 4935 to discuss and vote upon litigation, matters that relate to the formation of contracts with third parties, Member discipline (at the request of the Member), personnel matters, or to meet with a Member regarding the Member's payment of Assessments, or whether to foreclose a lien. The nature of any and all business to be discussed in executive session shall first be announced in open session. Nothing provided

herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above. If a nonemergency Board meeting is held solely in executive session, the Association shall give notice of the time and place of the meeting at least two (2) days prior to the meeting. Any matters discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership.

(d) The Board of Directors shall not take action on any item of business outside of a meeting. The Board of Directors shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail except as provided in this Subsection (d). Electronic transmissions may be used to conduct an emergency meeting if all members of the Board, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the meeting of the Board. Written consent to conduct an emergency meeting may be transmitted electronically. As used in this Subsection (d) "item of business" 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.

Section 8.07. Meeting Format. Members of the Board may participate in a meeting through use of conference telephone, electronic video screen communications, or other communications equipment. Participation in a meeting through use of conference telephone pursuant to this Section constitutes presence in Person at that meeting as long as all Members participating in the meeting are able to hear one another. Participation in a meeting through use of electronic video screen communication or other communications equipment (other than conference telephone) pursuant to this Section constitutes presence in Person at that meeting if all of the following apply:

(a) Each member of the Board participating in the meeting can communicate with all of the other Members concurrently.

(b) Each member of the Board is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

(c) The corporation adopts and implements some means of verifying both of the following:

- (i) A Person participating in the meeting is a Director or other Person entitled to participate in the Board meeting.
- (ii) All actions of, or votes by, the Board are taken or cast only by the Directors and not by Persons who are not Directors.
- (d) The rights of Members of the Association to attend and participate in the meeting as provided in Section 8.06 of these Bylaws are preserved.
- (e) The regular, special and emergency meetings of the Board may not be recorded by any electronic device without the consent of the chair of the meeting. If such consent is granted, it shall be duly noted in the minutes of the meeting.

Section 8.08. 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 8.10 of this Article VIII. Every act done or decision made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Non-Profit Corporation law, especially those provisions relating to (1) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (2) appointment of committees, and (3) 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.

Section 8.09. 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 corporate 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 also shall be deemed to have been waived by any Director who attends the meeting without protesting before or at its commencement about the lack of notice.

Section 8.10. 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 hereinabove provided, notice of adjournment need not be given.

Section 8.11. Compensation. Unless approved by vote or written assent of a majority of the 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.

Section 8.12. 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 an executive session, shall be available to Members within thirty (30) days of the meeting. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting open to the entire membership. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution. Members of the Association shall be notified in writing at the time that the Annual Policy Statement is distributed pursuant to California Civil Code Section 5310 is distributed, or at the time of any general mailing to the entire membership of the Association, of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

ARTICLE IX

Duties and Powers of the Board

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

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

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

(b) Appoint and remove all officers of the Association, the Association Manager of the Association, if any, and any Association employees, prescribe any powers and duties for such Persons that are consistent with law, the Governing Documents.

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

(d) Subject to the provisions of the Covenants, Conditions and Restrictions, to adopt, establish and distribute upon adoption, Rules and regulations governing the use of the Common Area, the Common Facilities, and the personal conduct of the Members, their Tenants, and their Guests thereon, and to take such steps as it deems necessary for the enforcement of the Operating Rules, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Facilities; provided notice and an opportunity for a hearing are furnished as more particularly set forth in the Covenants, Conditions and Restrictions. Operating Rules adopted by the Board may contain reasonable variations and distinctions as between Owners and Tenants.

(e) Enforce all applicable provisions of the Covenants, Conditions and Restrictions, these Bylaws and all other regulations relating to the control, management, and use of the Units within the Properties and the Common Area and Common Facilities; provided that the procedures set forth in Section 9.05 are followed.

(f) Contract and pay premiums for fire, casualty, liability and other insurance and bonds (including fidelity bonds) which may be required from time to time in relation to the Properties.

(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 Properties.

(h) Pay all taxes, Special Assessments and other Assessments and charges which are or would become a lien on any portion of the Properties, and complete and file all tax-related reports and returns.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Properties which have been damaged or destroyed and which are to be rebuilt as provided in the Declaration.

(j) If and when the Board deems it appropriate and subject to the limitations expressed in Article X, Section 10.01 hereof, to delegate its duties and power hereunder to the officers of the Association or to committees established by the Board or a property manager or property management company retained by the Board.

(k) Establish and levy Assessments on the Members of the Association and to collect the same, in accordance with the Covenants, Conditions and Restrictions, and to establish and collect reasonable use charges for any or all of the Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the Members the cost of Maintenance and operation thereof.

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

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Article XII, Section 12.11(b) hereof. The Board may appoint a Budget and Finance Committee as provided in Section 10.02(c) of the Bylaws to assist in the preparation of the annual budget.

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

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

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

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

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

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

(t) Subject to the Covenants, Conditions and Restrictions, to enter Units as necessary in connection with construction, Maintenance or emergency Repairs for the benefit of the Common Area or the Owners in common.

(u) Maintain and otherwise manage: (1) all easements and real property and all facilities, improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association, (2) all personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association, and (3) all property, real or personal, which the Association is obligated to Repair or Maintain pursuant to the Declaration.

(v) Provide an Owner within ten (10) days of the delivery of written request, with a copy of the documents identified in Section 4.04 of the Declaration. The notice shall not be deemed a waiver of the Association's right to enforce the Governing Documents against the Owner or the prospective purchaser of the separate interest with respect to any violation. This subsection shall not be construed to require the Association to inspect an Owner's separate interest. The documents referred to in this Subsection (v) may be maintained in electronic form by the Association and, if so, the requesting party shall have the option of receiving the documentation in electronic transmission or machine readable storage media. The Association may charge a fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested information.

(w) The Board shall have the duty to conduct the business of the Association in such manner that the Association can qualify and be considered an organization exempt from federal and state income taxes pursuant to Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t, as amended. The Board shall cause to be timely filed any annual election for tax-exempt status as may be required under federal or state law, and shall undertake to cause the Association to comply with the statutes, Rules and regulations which have been or shall be adopted by federal and state agencies pertaining to such exemption.

Section 9.03. Limitations on Powers. Without the vote or written assent of a majority of the Members, the Board of Directors shall not take any of the following actions:

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

(b) Incur aggregate expenditures for Capital Improvements to the Common Area in any fiscal year in excess of ten percent (10%) of the budgeted gross expenses of the Association for that year. For purposes of this Section 9.03(b), capital improvements are not reserve expenditures for those components described in Section 12.14 of these Bylaws, but rather a new fixture or facility proposed for the Common Area.

(c) Sell during any fiscal year personal property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that year. Sale of real property of the Association requires the approval of two thirds (2/3rds) of the Members as more particularly provided in Section 4.01(g) of the Declaration.

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

(e) Borrow money on behalf of the Association in a sum in excess of twenty percent (20%) of the budgeted gross receipts for the current fiscal year. The granting of security for a loan requires approval of the Members as provided in Section 7.02(h) of the Declaration.

(f) In the event the Board determines that any Common Area amenity is obsolete and the cost to remove the amenity is more than five percent (5%) of the budget, the Board may call for a vote of the Members to determine whether the amenity should be demolished. Approval requirements for removal of the amenity shall be a majority of the Voting Power.

Section 9.04. Conflict of Interest. Corporations Code Sections 7233 and 7234 relating to conflicts of interest apply to any contract or other transaction authorized, approved or ratified by the Board or a committee of the Board. 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 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 separate interest of the Director or committee member.
- (e) Review of a proposed physical change to the separate interest of the Director or committee member.
- (f) A grant of Exclusive Use Common Area to the Director or committee member.
- (g) Act in violation of any provision of law or the Governing Documents that govern a decision in which a Director may have an interest.

Section 9.05. Due Process Requirements. Before the Board imposes any monetary penalties (except late charges and interest for late payment of any Assessment), or suspends membership rights or Common Area use privileges against any Member for failure to comply with these Bylaws, the Declaration or Operating Rules, the Board must act in good faith and must satisfy each of the following requirements:

(a) The Member is given not less than fifteen (15) days prior written notice of the date, time and place of the meeting, the nature of the alleged violation, and a statement that the Member has the right to attend and may address the Board at the meeting. The notice may be given by either personal delivery or first-class mail. The Board of Directors of the Association shall meet in executive session if requested by the Member being disciplined.

(b) If a hearing is held, the Board shall deliver its decision in writing and the reasons therefore to the Owner within fifteen (15) days after the hearing, by either personal delivery or first-class mail. The disciplinary and/or corrective action and/or penalties determined by the Board shall become effective five (5) days after delivery of the decision and the reasons therefore to the Owner. The provisions of this Section 9.05 shall not apply to any monetary penalties, suspensions of membership rights or Common Area use privileges against any Member for failure to pay Regular or Special Assessments in accordance with the provisions of Article VI of the Covenants, Conditions and Restrictions.

(c) The Board shall adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed. The Board of Directors shall distribute, in like manner, additional schedules of monetary penalties whenever changes to the schedule are adopted.

ARTICLE X

Committees

Section 10.01. Committees Generally. The Board may, by resolution adopted by a majority of the Directors then in office, designate one or more committees, each consisting of one or more Members to serve at the pleasure of the Board, which shall have such authority as the Board may specify, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter which, under the Non-Profit Corporation Law of California, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or in 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 the members of those committees.

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

(g) Levy monetary penalties.

(h) Exercise the authority of the Board if any members of the committee are not Directors.

Section 10.02. Standing Committees. Standing committees may be established and maintained by the Board as the Board deems appropriate, including the following:

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

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

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

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

Section 10.04. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees also may be called by resolution of the Board of Directors. Notice of special meetings of committees also shall be given to any and all alternate Members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board of Directors may adopt Rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE XI

Officers

Section 11.01. Officers. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer all of whom shall be members of the Board. The Association may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.03 following.

Section 11.02. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 11.03 following, shall be chosen annually by majority vote of the Board at its first regular meeting, and each shall hold 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 from his or her position as an officer, 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 the chief executive officer of the Association, and subject to the control of the Board, shall have general supervision, direction and control of the affairs and officers of the Association. The President shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out, shall sign all Leases, Mortgages, deeds and other written instruments and shall sign all promissory notes. The President also shall have the general power and duties of management usually vested in the office of president of a California non-profit mutual benefit corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

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

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

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

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

(c) A copy of the Articles, Bylaws and Covenants, Conditions & Restrictions as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and the Secretary shall keep any seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws. The Secretary shall be responsible to verify the filing of the registration form and statement of principal business activity as required by Civil Code Section 5405.

Section 11.10. Treasurer. The Treasurer shall 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, fund balance and other matters customarily included in financial statements. The books of account shall at all reasonable times be open to inspection by any Director or Member. The Treasurer shall deposit or cause to be deposited all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the 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 the Treasurer's possession, or under his or her control, on the death, resignation, retirement, or removal from office of the Treasurer.

Section 11.11. Multiple Offices. The office of Secretary and Treasurer may be held by the same Person. The office of Vice-President and Treasurer may also be held by the same Person. No Person shall simultaneously hold more than one of any of the other offices, except in the case of subordinate officer positions created pursuant to Section 11.03 of this Article XI.

ARTICLE XII

Assessments and Finances

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

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

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

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

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

Section 12.06. Annual Notice Concerning Assessment Collection. The Association shall distribute the written notice described herein to each Member of the Association during the thirty (30) to ninety (90) day period immediately preceding the beginning of the Association's fiscal year. The notice shall be printed in at least 12-point type. The notice required by this Section shall read as follows:

"NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often

referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)"

Section 12.07. Notice Regarding Secondary Addresses. The Association shall notify Owners of their right to submit secondary addresses to the Association, at the time the Association issues the Annual Policy Statement pursuant to California Civil Code Section 5310. The Owner's request shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it, or by other means if authorized by Section 14.07 of these Bylaws. The Owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request. If a secondary address is provided, the Association shall send any and all correspondence and legal notices required pursuant to this Article XII to both the primary and the secondary address.

Section 12.08. Subordination of Lien to Mortgages. The lien of the Assessments shall be subordinated to the lien or charge of any First Mortgage of record as more particularly described in Section 6.11 of Article VI of the Covenants, Conditions and Restrictions.

Section 12.09. Checks. Except as provided in Section 12.13, all checks or demands for money and notes on the Association's operating account shall be signed by the President and Treasurer, or by such other officer(s) or such other Person(s) as the Board of Directors may from time to time designate.

Section 12.10. Association Accounts. The Board shall maintain a deposit account and any other accounts it shall deem necessary to carry out its purposes, including reserve accounts as more particularly set forth in Article VI of the Covenants, Conditions and Restrictions.

Section 12.11. Annual Budget Report.

(a) Within thirty (30) to ninety (90) days before the end of its fiscal year, the Board shall distribute an Annual Budget Report that provides the Members with information about Association policies. The Annual Budget Report shall include all of the following information:

- (1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.
- (2) A summary of the Association's reserves, prepared pursuant to Civil Code Section 5565.
- (3) A summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of subdivision (b) of Civil Code Section 5550. The summary shall include notice to Members that the full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any Member upon request.
- (4) A statement as to whether the Board has determined to defer or not undertake Repairs or Replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the Repairs or Replacement.
- (5) A statement as to whether the Board, consistent with the reserve funding plan adopted pursuant to Civil Code Section 5560, has determined or anticipates that the levy of one or more Special Assessments will be required to Repair, Replace, or restore any major component or to provide adequate reserves therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Assessment.
- (6) A statement as to the mechanism or mechanisms by which the Board will fund reserves to Repair or Replace major components, including Assessments, borrowing, use of other assets, deferral of selected Replacements or Repairs, or alternative mechanisms.

- (7) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future Repair, Replacement, or additions to those major components that the Association is obligated to Maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Civil Code Section 5570, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.
- (8) 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.
- (9) A summary of the Association's property, general liability, earthquake, flood, and fidelity insurance policies. 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 paragraph 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 dwelling, 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."

The Association shall, as soon as reasonably practicable, provide Individual Notice to all Members if any of the policies described in the Annual Budget Report have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the Association receives any notice of nonrenewal of a policy described in the Annual Budget Report, the Association shall immediately notify its Members if Replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) The Annual Budget Report shall be made available to the Members pursuant to Civil Code Section 5320.

(c) The summary of the Association's reserves disclosed pursuant to Civil Code Section 5300(d) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision.

(d) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Civil Code Section 5570, shall accompany each Annual Budget Report or summary of the Annual Budget Report that is delivered pursuant to this Article.

(e) A review of the financial statement shall be prepared by an independent accountant for any fiscal year in which the gross income of the Association exceeds Seventy-five Thousand Dollars (\$75,000.00), and shall be prepared in accordance with generally accepted accounting principles and standards as established by the California State Board of Accountancy. If the annual report is not prepared by an independent accountant it shall be accompanied by the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation. It shall be served by Individual Notice within one hundred twenty (120) days after the close of each fiscal year.

(f) In lieu of the distribution of the financial statement required by Section 12.11(a) of this Article XII, the Board may elect to distribute a summary of the budget to all Members with a written notice that the pro forma operating budget is available at the business office of the Association or at another suitable location within the boundaries of the development and that copies will be provided upon request and at the expense of the Association. If any Member requests a copy of the financial statement required by said Section 12.11(a) to be mailed to the Member, the Association shall provide the copy to the Member by first-class United States mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the summary of the budget.

(g) A statement as to the Association's policies and practices in enforcing the lien rights or other legal remedies for the default in the payment of its Assessments against its Members shall be annually delivered to each Member of the Association not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year.

(h) The Association shall distribute the written notice concerning Assessments and foreclosure prescribed by California Civil Code Section 5730 to each Member of the Association during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year. The notice shall be printed in at least 12-point type.

Section 12.12. Fiscal Review. The Board of Directors shall do all of the following:

(a) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.

(b) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis.

(c) Review the current year's actual reserve revenues and expenses compared to the current year's budget, on at least a quarterly basis.

(d) Review the latest account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(e) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

Section 12.13. Withdrawal From Reserves. The signature of two (2) Persons, who shall be members of the Board, shall be required for the withdrawal of monies from the Association's reserve accounts.

Section 12.14. Limitation on Reserve Expenditures. The Board of Directors 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 which the Association is obligated to Repair, restore, Replace, or Maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, if the Board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided as specified in Civil Code Section 4925. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a Special Assessment may be considered. If the Board authorizes the transfer, the Board shall issue a written finding, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Association, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this Section. The Board may, at its discretion, extend the date the payment of the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

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

Section 12.15. Reserve Study Requirements. At least once every three (3) years the Board of Directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is

obligated to Repair, Replace, restore, or Maintain as part of a study of the reserve account requirements if the current Replacement value of the major components is equal to or greater than one-half of the gross budget of the Association which excludes the Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

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

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

(b) Identification of the probable remaining useful life of the components identified in Subsection (a) of this Section 12.15, as of the date of the study.

(c) An estimate of the cost of Repair, Replacement, restoration, or Maintenance of each major component identified in Subsection (a) of this Section 12.15.

(d) An estimate of the total annual contribution necessary to defray the cost to Repair, Replace, restore, or Maintain the components identified in Subsection (a) during and at the end of their useful life, 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 Subsection (d) to meet the Association's obligation for the Repair and Replacement of all major components with 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. The plan shall 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 disclosures required by this Section shall be summarized on the form included in Civil Code Section 5570(a). The plan shall be adopted by the Board of Directors at an open meeting before the membership of the Association as described in Section 8.06. If the Board of Directors 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 Sections 5605 and 5610.

As used in this Section 12.15, "reserve accounts" means both (1) monies that the Board of Directors has identified for use to defray the future Repair or Replacement of, or additions to, those major components which the Association is obligated to Maintain; and (2)

the funds received and not yet expended or disposed from either a compensatory damage award or settlement to the Association from any Person or entity for injuries to property, real or personal, arising from any construction or design defects. These funds shall be separately itemized from funds described in Subsection (1) above. The term "reserve account requirements" means the estimated funds which the Board of Directors has determined are required to be available at a specified point in time to Repair, Replace, or restore those major components which the Association is obligated to Maintain.

Section 12.16. Annual Policy Statement.

(a) Within thirty (30) to ninety (90) days before the end of its fiscal year, the Board shall distribute an Annual Policy Statement that provides the Members with information about Association policies. The Annual Policy Statement shall include all of the following information:

- (1) The name and address of the Person designated to receive official communications to the Association, pursuant to Civil Code Section 4035.
- (2) A statement explaining that a Member may submit a request to have notices sent to up to two different specified addresses, pursuant to subdivision (b) of Civil Code Section 4040.
- (3) The location, if any, designated for posting of a General Notice, pursuant to paragraph (3) of subdivision (a) of Civil Code Section 4045.
- (4) Notice of a Member's option to receive General Notices by individual delivery, pursuant to subdivision (b) of Civil Code Section 4045.
- (5) Notice of a Member's right to receive copies of meeting minutes, pursuant to subdivision (b) of Civil Code Section 4950.
- (6) The statement of Assessment collection policies required by Civil Code Section 5730.
- (7) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments.

- (8) A statement describing the Association's discipline policy, if any, including any schedule of penalties for violations of the Governing Documents pursuant to Civil Code Section 5850.
- (9) A summary of dispute resolution procedures, pursuant to Civil Code Sections 5920 and 5965.
- (10) A summary of any requirements for Association approval of a physical change to property, pursuant to Civil Code Section 4765.
- (11) The mailing address for overnight payment of Assessments, pursuant to Civil Code Section 5655.
- (12) A statement describing the status of the Properties as a Federal Housing Administration ("FHA") - approved Condominium project and a statement describing the status of the project as a federal Department of Veterans Affairs ("VA") - approved Condominium project in the manner more particularly described in Civil Code Section 5300(b)(10) and (11).
- (13) Any other information that is required by law or the Governing Documents or that the Board determines to be appropriate for inclusion.

(b) The Annual Policy Statement shall be made available to the Members pursuant to Civil Code Section 5320.

Section 12.17. Delivery of Annual Budget Report and Annual Policy Statement.

(a) When a report is prepared pursuant to Sections 12.11 or 12.16, the Association shall deliver one of the following documents to all Members, by individual delivery pursuant to Civil Code Section 4040:

- (1) The full report.
- (2) A summary of the report. The summary shall include a general description of the content of the report. 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.

(b) Notwithstanding subdivision (a), if a Member has requested to receive all reports in full, the Association shall deliver the full report to that Member, rather than a summary of the report.

ARTICLE XIII

Indemnification and Insurance

Section 13.01. Indemnification Right and Power.

(a) The Association shall indemnify any agent of the Association who was a party to any proceeding by reason of the fact that the Person is or was an agent of the Association against expenses actually and reasonably incurred in any proceeding to the extent that the agent was successful on the merits in defense of the proceeding or in defense of any claim, issue, or matter therein. Expenses shall include any attorney's fees and any other expenses of establishing a right to indemnification.

(b) The Association may indemnify any agent of the Association who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such Person is or was an agent of the Association, against expenses actually and reasonably incurred in connection with such proceeding provided the approval requirements described in Section 13.02 of these Bylaws have been satisfied.

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

Section 13.02. Indemnification Approval.

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

(1) A majority vote of a quorum of the Board consisting of Directors who are not parties to the proceeding.

(2) The affirmative vote of a majority of the Voting Power of the Members entitled to vote at a duly held Members' meeting in which a quorum was present, or the approval by written ballot under the procedures described in Section 4.06 of these Bylaws, provided that if the agent to be indemnified is a Member, the agent shall not be entitled to vote.

(3) The court in which such proceeding is or was pending on application made by the Association or the agent or the attorney or other Person rendering services in connection with the defense, whether or not the application is opposed by the Association.

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

Section 13.03. Standard of Care. In any proceeding brought by or on behalf of the Association, the applicable standard of care shall require that the agent acted in good faith, in a manner the agent believed to be in the best interests of the Association and with the care, including reasonable inquiry, that an ordinarily prudent Person in like position would use under similar circumstances. In all other proceedings, the agent must have acted in good faith, in a manner the agent believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 13.04. Advancement of Expenses. On approval by the Board, expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of the proceeding, provided the Association receives an undertaking by or on behalf of the agent that the advances will be repaid unless it is ultimately determined that the agent was entitled to indemnification as required or authorized by these Bylaws.

Section 13.05. Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its agents against any liability asserted against or incurred by any agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under Sections 13.01-13.04 of these Bylaws.

Section 13.06. Officer and Director Liability.

(a) Unless and until Section 5800 of the California Civil Code is amended to provide otherwise, any Person who suffers injury, including, but not limited to, bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of a volunteer officer or volunteer Director of the Association shall not recover damages from a volunteer officer or volunteer Director if all of the following criteria are met:

(i) The act or omission was performed within the scope of the officer's or Director's Association duties.

(ii) The act or omission was performed in good faith.

(iii) The act or omission was not willful, wanton, or grossly negligent.

(iv) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made one or more policies of insurance which shall include coverage for (1) general liability of the Association and (2) individual liability of officers and Directors of the Association for negligent acts or omissions in that capacity; provided, that both types of coverage are in the minimum amount of One Million Dollars (\$1,000,000). However, in no event shall the Association maintain lower limits of insurance than are provided in Article XII, Sections 12.01 and 12.06 of the Declaration.

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

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

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

ARTICLE XIV

Miscellaneous

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

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

Section 14.02. Books and Records.

- (a) For the purposes of this Section 14.02, the following definitions shall apply:
 - (1) “Association records” means all of the following:
 - (A) Any financial document required to be provided to a Member in Article 7 (commencing with Section 5300) or in Sections 5565 and 5810 of the Civil Code.
 - (B) Any financial document or statement required to be provided in Article 2 (commencing with Section 4525) of Chapter 4 of the Civil Code.
 - (C) Interim unaudited financial statements, periodic or as compiled, containing any of the following:
 - (i) Balance sheet.
 - (ii) Income and expense statement.
 - (iii) Budget comparison.

- (iv) General ledger. A “general ledger” is a report that shows all transactions that occurred in the Association account over a specified period of time.

The records described in this Subsection (C) shall be prepared in accordance with generally accepted accounting principles.

- (D) Executed contracts not otherwise privileged under law.
- (E) Written Board approval of vendor or contractor proposals or invoices.
- (F) State and federal tax returns.
- (G) Reserve account balances and records of payments made from reserve accounts.
- (H) Agendas and minutes of meetings of the Members, the Board of Directors and any committees appointed by the Board of Directors pursuant to Section 7212 of the Corporations Code; excluding, however, minutes, and other information from executive sessions of the Board of Directors as described in Article 2 (commencing with Section 4900 of the Civil Code).
- (I)
 - (i) Membership lists, including name, property address, and mailing address, if the conditions set forth in Subsection (ii) are met and except as otherwise provided in Subsection (iii).
 - (ii) The Member requesting the list shall state the purpose for which the list is requested which purpose shall be reasonably related to the requester's interest as a Member. If the Association reasonably believes that the information in the list will be used for another purpose, it may deny the Member access to the list. If the request is denied, in any subsequent action brought by the Member under Civil Code Section 5235, the Association shall have the burden to prove that the Member would

have allowed use of the information for purposes unrelated to his or her interest as a Member.

- (iii) A Member of the Association may opt out of the sharing of his or her name, property address, and mailing address by notifying the Association in writing that he or she 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.

(J) Check registers.

(K) Governing Documents.

(L) An accounting of expenses relating to litigation prepared pursuant to subdivision (b) of Civil Code Section 5520 when the Association has made a decision to use reserve funds or to temporarily transfer monies from the reserve fund to pay for litigation.

(M) An “enhanced Association record” as defined in Subsection (2) of this Section 14.02(a).

(2) “Enhanced Association records” means invoices, receipts and canceled checks for payments made by the Association, purchase orders approved by the Association, credit card statements for credit cards issued in the name of the Association, statements for services rendered, and reimbursement requests submitted to the Association, provided that the Person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request.

(b) (1) The Association shall make available Association records and enhanced Association records for the time periods and within the time frames provided in Subsections (g) and (h) for inspection and copying by a Member of the Association, or the Member's designated representative. The Association may bill the requesting Member for the direct and actual cost of copying requested documents. The Association shall inform the Member of the amount of the copying costs before copying the requested documents.

(2) A Member of the Association may designate another Person to inspect and copy the specified Association records on the Member's behalf. The Member shall make this designation in writing.

(c) (1) The Association shall make the specified Association records available for inspection and copying in the Association's business office within the common interest development.

(2) If the Association does not have a business office within the development, the Association shall make the specified Association records available for inspection and copying at a place that the requesting Member and the Association agree upon.

(3) If the Association and the requesting Member cannot agree upon a place for inspection and copying pursuant to Subsection (c)(2), 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 mailing copies of the specifically identified records to the Member by first-class mail within the time frames set forth in Subsection (h).

(4) The Association may bill the requesting Member for the direct and actual cost of copying and mailing requested documents. The Association shall inform the Member of the amount of the copying and mailing costs, and the Member shall agree to pay those costs, before copying and sending the requested documents.

(5) In addition to the direct and actual costs of copying and mailing, the Association may bill the requesting Member an amount not in excess of ten dollars (\$10) per hour, and not to exceed two hundred dollars (\$200) total per written request, for the time actually and reasonably involved in redacting the enhanced Association records as provided in Section (2) of Subsection (a), or such larger sums as may be authorized by California Law.

The Association shall inform the Member of the estimated costs, and the Member shall agree to pay those costs, before retrieving the requested documents.

(d) (1) Except as provided in Subsection (d)(2), the Association may withhold or redact information from the Association records for any of the following reasons:

(A) The release of the information is reasonably likely to lead to identity theft. For the purposes of this Section, "identity theft"

means the unauthorized use of another Person's personal identifying information to obtain credit, goods, services, money, or property. Examples of information that may be withheld or redacted pursuant to this Section include bank account numbers of Members or vendors, social security or tax identification numbers, and check, stock, and credit card numbers.

- (B) The release of the information is reasonably likely to lead to fraud in connection with the Association.
- (C) The information is privileged under law. Examples include documents subject to attorney-client privilege or relating to litigation in which the Association is or may become involved, and confidential settlement agreements.
- (D) The release of the information is reasonably likely to compromise the privacy of an individual Member of the Association.
- (E) The information contains any of the following:
 - (i) Records of a-la-carte goods or services provided to individual Members of the Association for which the Association received monetary consideration other than Assessments.
 - (ii) Records of disciplinary actions, collection activities, or payment plans of homeowners other than the homeowner requesting the records.
 - (iii) Any Person's personal identification information, including, without limitation, social security number, tax identification number, driver's license number, credit card account numbers, bank account number, and bank routing number.
 - (iv) Agendas, minutes, and other information from executive sessions of the Board of Directors as described in Civil Code Section 4935, except for executed contracts not

otherwise privileged. Privileged contracts shall not include contracts for Maintenance, management, or legal services.

- (v) Personnel records other than the payroll records required to be provided under Subsection (d)(2).
- (vi) Interior architectural plans, including security features, for individual homes.

(2) Except as provided by the attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by the employee's name, social security number, or other personal information.

(3) No Association, officer, Director, employee, agent or volunteer of an Association shall be liable for damages to a Member of the Association as the result of identity theft or other breach of privacy because of the failure to withhold or redact that Member's information under this Subsection unless the failure to withhold or redact the information was intentional, willful, or negligent.

(4) If requested by the requesting homeowner, an Association that denies or redacts records shall provide a written explanation specifying the legal basis for withholding or redacting the requested records.

(e) (1) The Association records, and any information from them, may not be sold, used for a commercial purpose, or used for any other purpose not reasonably related to a Member's interest as a Member. An Association may bring an action against any Person who violates this Section for injunctive relief and for actual damages to the Association caused by the violation.

(2) This Section may not be construed to limit the right of the Association to damages for misuse of information obtained from the Association records pursuant to this Section or to limit the right of an Association to injunctive relief to stop the misuse of this information.

(3) The Association shall be entitled to recover reasonable costs and expenses, including reasonable attorney's fees, in a successful action to enforce its rights under this Section.

(f) Requesting parties 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. The cost of duplication shall be limited to the direct cost of producing the copy of a record in that electronic format.

(g) The time periods for which specified records shall be provided are as follows:

- (1) Association records shall be made available for the current fiscal year and for each of the previous two fiscal years.
- (2) Minutes of Member and Board meetings shall be permanently made available. If a committee has decision making authority, minutes of the meetings of that committee also shall be permanently made available.

(h) The time frames in which access to specified records shall be provided to a requesting Member is as follows:

- (1) Association records prepared during the current fiscal year, within ten (10) business days following the Association's receipt of the request.
- (2) Association records prepared during the previous two fiscal years, within thirty (30) calendar days following the Association's receipt of the request.
- (3) Any record or statement available pursuant to Article 2 (commencing with Section 4525) of Chapter 4, Article 7 (commencing with Section 5300), Section 5565, or Section 5810 of the Civil Code, within the time frame specified therein.
- (4) Minutes of Member and Board meetings, within the time frame specified in subdivision (a) of Section 4950 of the Civil Code.
- (5) Minutes of meetings of committees with decision making authority for meetings, within fifteen (15) calendar days following approval.

- (6) Membership list, within the time frame specified in Section 8330 of the Corporations Code.

Section 14.03. Distribution of Records.

(a) An Owner shall, as soon as practicable before transfer of title to the separate interest or execution of a real property sales contract therefore, as defined in Civil Code Section 2985, provide the documents listed in Section 4.04 of the Declaration to the prospective purchaser:

- (b) (1) Upon written request, the Association shall, within ten (10) days of the mailing or delivery of the request, provide the Owner, or any other recipient authorized by the Owner, with a copy of the requested documents specified in Subsections (a) to (h), inclusive, of Section 4.04 of the Declaration. Upon receipt of a written request, the Association shall provide, on the form described in Civil Code Section 4528, a written or electronic estimate of the fees that will be assessed for providing the requested documents. The documents required to be made available pursuant to this Section may be maintained in electronic form, and may be posted on the Association's Internet Web site. Requesting parties shall have the option of receiving the documents by electronic transmission if the Association maintains the documents in electronic form. The Association may collect a reasonable fee based upon the Association's actual cost for the procurement, preparation, reproduction, and delivery of the documents requested pursuant to the provisions of this Section.
- (2) No additional fees may be charged by the Association for the electronic delivery of the documents requested.
- (3) Fees for any documents required by this Section shall be distinguished from other fees, fines, or Assessments billed as part of the transfer or sales transaction. Delivery of the documents required by this Section shall not be withheld for any reason nor subject to any condition except the payment of the fee allowed pursuant to Subsection (b)(1).
- (4) The Association may contract with any Person or entity to facilitate compliance with the requirements of this Section on behalf of the Association.

- (5) The Association shall also provide a recipient authorized by the Owner of a separate interest with a copy of the completed form specified in Civil Code Section 4528 at the time the required documents are delivered.
- (c)
 - (1) Except as provided herein, the Association may not impose or collect any Assessment, penalty, or fee in connection with a transfer of title or any other interest except an amount not to exceed the Association's actual costs to change its records.
 - (2) A cancellation fee for documents specified in Subsection (b)(1) shall not be collected if either of the following applies:
 - (i) The request was canceled in writing by the same party that placed the order and work had not yet been performed on the order.
 - (ii) The request was canceled in writing and any work that had been performed on the order was compensated.
 - (iii) The Association shall refund all fees collected pursuant to Subsection (b)(1) if the request was canceled in writing and work had not yet been performed on the order.
 - (iv) If the request was canceled in writing, the Association shall refund the share of fees collected pursuant to Subsection (b)(1) that represents the portion of the work not performed on the order.
- (d) For the purposes of this Section, a Person who acts as a community Association Manager is an agent.

Section 14.04. Association Manager. The Board may employ the services of an Association Manager 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, may delegate to the Association Manager any of its day-to-day management and Maintenance duties and powers under these Bylaws and the Covenants, Conditions and Restrictions, provided that the Association Manager shall at all times remain subject to the general control of the Board.

Section 14.05. Corporate Seal. The Association may have a seal in circular form having within its circumference the words The Vineyards of Saratoga, State of California.

Section 14.06. Amendment or Repeal of Bylaws. These Bylaws may only be amended or repealed, and new Bylaws adopted by the secret vote by written ballot pursuant to Section 7.04(c) of a majority of the total membership of the Association; provided that if any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended or repealed except by such greater vote, unless otherwise specifically provided herein.

Section 14.07. Notice Requirement. To be effective, any of the following requests shall be delivered in writing to the Association, pursuant to Civil Code Section 4035:

- (a) A request to change the Member's information in the Association membership list.
- (b) A request to add or remove a second address for delivery of Individual Notices to the Member, pursuant to subdivision (b) of Civil Code Section 4040.
- (c) A request for individual delivery of General Notices to the Member, pursuant to subdivision (b) of Section 4045 of the Civil Code, or a request to cancel a prior request for individual delivery of General Notices.
- (d) A request to opt out of the membership list pursuant to Section 5220 of the Civil Code, or a request to cancel a prior request to opt out of the membership list.
- (e) A request to receive a full copy of a specified Annual Budget Report or Annual Policy Statement pursuant to Section 5320 of the Civil Code.
- (f) A request to receive all reports in full, pursuant to subdivision (b) of Section 5320 of the Civil Code, or a request to cancel a prior request to receive all reports in full.

A document delivered pursuant to this Section may be delivered by any of the following methods: (i) first-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier, if the Association has assented to

that method of delivery; (ii) by e-mail, facsimile, or other electronic means, if the Association has assented to that method of delivery; and (iii) by personal delivery, if the Association has assented to that method of delivery. If the Association accepts a document by personal delivery it shall provide a written receipt acknowledging delivery of the document.

Section 14.08. Owner Duty to Supply Certain Information.

(a) An Owner of a Condominium shall, on an annual basis, provide written notice to the Association of all of the following:

- (1) The address or addresses to which notices from the Association are to be delivered.
- (2) An alternate or secondary address to which notices from the Association are to be delivered.
- (3) The name and address of his or her legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the Owner's extended absence from the Condominium.
- (4) Whether the Condominium is Owner occupied, is rented out, if the parcel is developed but vacant, or if the parcel is undeveloped land.

(b) The Association shall solicit these annual notices of each Owner and, at least thirty (30) days prior to making its own required disclosure under Civil Code Section 5300, shall enter the data into its books and records.

(c) If an Owner fails to provide the notices set forth in Subsections (1) and (2) of this Section 14.08, the property address shall be deemed to be the address to which notices are to be delivered.

Section 14.09. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Non-Profit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions or titles used in these Bylaws are intended solely for

convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of these Bylaws.

Section 14.10. Conflicts Between Documents. The terms and provisions set forth in these Bylaws are not exclusive as Members also shall be subject to the terms and provisions of other Governing Documents including the Articles of Incorporation, Declaration of Covenants, Conditions and Restrictions, Operating Rules, and Architectural Standards.

(a) To the extent of any conflict between the Governing Documents and the law, the law controls;

(b) To the extent of any conflict between the Articles of Incorporation and the Declaration, the Declaration controls;

(c) To the extent of any conflict between the Bylaws and the Articles of Incorporation or Declaration, the Articles of Incorporation or Declaration control; and

(d) To the extent of any conflict between the Operating Rules and the Bylaws, Articles of Incorporation, or Declaration, the Bylaws, Articles of Incorporation, or Declaration control.

Section 14.11. Fiscal Year. The fiscal year of the Association shall begin on April 1st and ends the last day of March. However, the fiscal year of the Association is subject to change from time to time as the Board shall determine by resolution, and without the necessity of amending these Bylaws.

In Witness Whereof, we have hereunto subscribed our names this 17th day
of MARCH, 2017.

The Vineyards of Saratoga

By: 

James W. Foley, President

By: 

Laurel G. Smith, Secretary

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Certificate of Secretary

I, the undersigned, the duly elected and acting Secretary of The Vineyards of Saratoga,
do hereby certify:

That the within and foregoing Bylaws were adopted by secret written ballot of the
Members of said Association as the Bylaws of said Association on the 16th day of March,
2017, and that the above foregoing Bylaws consisting of 69 pages do now constitute the
Bylaws of said Association.

In Witness Whereof, I have hereunto subscribed my name this 17th day of
MARCH, 2017.


Laurel G. Smith, Secretary

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