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RESTATED BYLAWS
OAK SHORES COMMUNITY ASSOCIATION



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RESTATED BYLAWS
OAK SHORES COMMUNITY ASSOCIATION
a California nonprofit mutual-benefit corporation

These Restated Bylaws (“Bylaws”) revoke all previous bylaws as well as all amendments to those bylaws and substitute in their place these Bylaws.

Article 1: ADMINISTRATION

1.1 Name. The name of this corporation is the Oak Shores Community Association (“Association”), a California nonprofit mutual-benefit corporation.

1.2 Definitions. All terms used in these Bylaws shall, unless stated otherwise, be defined as set forth in the Association’s Restated Declaration of Covenants, Conditions and Restrictions (“CC&Rs”).

Article 2: MEMBERSHIP

2.1 Membership. Each person or entity who is the owner of a property in the development subject to the Association’s CC&Rs shall be a Member except as otherwise provided for in the CC&Rs. Members shall be subject to the terms and provisions of the Articles of Incorporation, the CC&Rs, these Bylaws and the Rules & Regulations (“Rules”).

2.2 Proof of Membership. No person or entity may exercise the rights of membership without an ownership interest in property subject to the Association’s CC&Rs. If the Board should request proof of ownership, such proof shall be in the form of a recorded deed or, if the property was transferred within the past thirty (30) days and a copy of the newly recorded deed is not available, a completed escrow closing statement.

2.3 Termination of Membership. Membership in the Association shall automatically terminate when such Member is no longer on title to property in the Association.

2.4 Suspension of Membership Privileges. Membership rights and privileges, including voting rights, may be suspended as provided for in these Bylaws.

Article 3: MEETINGS OF MEMBERS

3.1 Place of Membership Meetings. Annual and special meetings of the membership shall be held at a suitable location in or reasonably close to the Project.

3.2 Annual Meetings. There shall be an annual meeting each year for the purpose of electing or announcing the election of Directors and conducting any other business of the Association.

- a. *Date of Meeting*. The Board shall fix the date, time and location of the annual meeting. The meeting shall be held in the same month as the preceding annual meeting if it is reasonably practicable to do so but in no event more than fifteen (15) months from the date of the preceding annual meeting.
- b. *Notice of Meeting*. Notice of all meetings of the Members shall be given by the Board. All notices of membership meetings shall be given not less than (10) days nor more than ninety (90) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting as well as those matters which the Board intends to present for action by the Members.

3.3 Special Meetings. Special meetings of the Members may be called for any lawful purpose as follows:

- a. *Who May Call*. Special meetings may be called by any of the following: (i) president of the Board, (ii) majority of the Board, or (iii) Members in Good Standing constituting at least five percent (5%) of the voting power of the Association. If a special meeting is called by Members of the Association, the request shall be submitted to the Board in writing, specifying the nature of the business to be transacted. The director or officer receiving the request shall promptly deliver the request to the remaining directors.
- b. *Scheduling Special Meeting*. The person or persons calling a special meeting of the membership may request a date, time and location for holding the meeting. If called by the Members, the special meeting must be held not less than thirty-five (35) days nor more than ninety (90) days following the receipt of the request. The Board shall set the date, time and location of the meeting which is reasonable and at or relatively close to the original date, time and location requested by the parties calling the meeting, if possible.
- c. *Notice of Special Meeting*. Notice of any special meeting called by the Members shall be given by the Board within 20 days after the Board's receipt of such request. In addition, the notice shall not be less than (10) days nor more than ninety (90) days before the date of the meeting. If the Board fails to give notice, the persons calling the special meeting may give notice consistent with these Bylaws.

- d. *Notice Contents.* The notice shall list nature of the business to be transacted as specified by those persons calling the meeting.

3.4 Those Entitled to Notice. Only those persons or entities who are on title and have provided such evidence to the Association prior to the date meeting notices are entitled to receive such notices.

3.5 Manner of Giving Notice. A declaration of the mailing or other means of giving any notice of any membership meeting may be executed by the Secretary, President, or any other party giving notice, and shall be prima facie evidence of the effective transmittal of the notice. Notice of any membership meeting shall be given either personally or by first-class mail, charges prepaid, and addressed to each Member: (i) at the address appearing on the books of the association, (ii) at the address given by the Member for the purpose of notice, or (iii) at the address of the Member's Lot, if no address appears on the association's books and no other address has been given. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail. Notice may also be given by any other method provided for by law.

3.6 Voting Rights. Members in Good Standing shall be entitled to one (1) vote on each matter and/or each open seat on the Board submitted for a vote of the Members.

- a. *No Cumulative Voting.* Cumulative voting shall not be used.
- b. *Co-Owners.* Where there is more than one owner of a property subject to the Association's CC&Rs, all such co-owners shall be Members and may attend any meeting of the Association, but only one co-owner shall be entitled to exercise the vote to which the property is entitled. Fractional votes shall not be allowed.
- c. *Presumption of Consent.* Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the voting Member is acting with the consent of his or her co-owners.
- d. *Voting Rights Suspended.* The voting rights of a Member may be suspended if that Member is delinquent more than thirty (30) days in the payment of any Assessment, provided the Board gives the Member notice of the pending suspension and an opportunity to present evidence to the Board as to why his/her voting rights should not be suspended.

3.7 Proxies. Unless voting on a matter is done entirely through the mail, Members may attend membership meetings and vote on matters either in person or by written proxy as provided for in the Association's Election Rules.

3.8 Chair and Secretary of Meetings. The President of the Board or, in the President's absence, the Vice President or any other person designated by the Board shall call the membership meeting to order and shall chair the meeting. The Secretary of the Board shall act as Secretary. In the absence of the Secretary, the presiding Officer shall appoint someone to serve as acting Secretary for the meeting.

3.9 Quorum. Thirty (30) percent of the Members (excluding those Members whose voting rights have been suspended), represented in person, by ballot or by proxy, shall constitute a quorum at all membership meetings.

3.10 Loss of Quorum. The Members present at a duly called meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the loss of a quorum so long as the business is approved by enough Members to constitute at least a majority of a quorum had a quorum been present.

3.11 Adjourned Meetings. Any membership meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Members represented at the meeting; provided, however, an adjournment for lack of a quorum shall be to a date not less than five (5) days nor more than thirty (30) days from the date the original meeting was called. In the absence of a quorum, no business may be transacted except to adjourn the meeting to another date and time. If a new date for the adjourned meeting is announced prior to adjournment, no further notice need be given to the membership. If, however, a new date is not announced prior to adjournment, the Board President (or the remaining Directors in the President's absence or failure to act) may set the date for a subsequent meeting and shall cause written notice of the date, time and place of such meeting to be given to the Members at least four (4) days in advance of the meeting.

Article 4: ACTION BY BALLOT WITHOUT A MEETING

4.1 Secret Ballot. Any action which may be taken at any meeting of Members may be taken without a meeting if the Association distributes a secret written ballot to every Member entitled to vote on the matter. Once a ballot has been cast it cannot be revoked.

4.2 Approval Requirement. Approval by written ballot shall be valid only when (i) the number of votes cast by ballot by the specified deadline equals or exceeds the quorum required to be present at a meeting authorizing the action, and (ii) the number of votes cast equals or exceeds the number of votes that would be required to approve the action at a meeting.

4.3 Form of Ballot. Ballots and two (2) preaddressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the association to every Member not less than thirty (30) days prior to the deadline for voting. In order to preserve voter

confidentiality, a voter may not be identified by name, address, or lot, parcel or address on the ballot. Ballots shall: (i) set forth the proposed action, (ii) provide an opportunity to approve or disapprove each item submitted for a vote, (iii) set forth the number of ballots needed to satisfy the quorum requirement, (iv) specify the percentage of votes required to pass the proposal, and (v) state a deadline by which the ballot must be returned in order to be counted.

4.4 Return by Mail. All ballots mailed to the membership shall include a double-envelope system for returning the ballots as follows:

- a. *Inner Envelope.* After the unsigned ballot is completed, it must be inserted into an inner envelope which is then sealed. The inner envelope must then be inserted into a second envelope, which is also sealed.
- b. *Second Envelope.* In the upper left hand corner of this second envelope, the voter must sign his or her name, indicate his or her name, and indicate the address or separate interest identifier that entitles him or her to vote. The second envelope must be addressed to the Inspector of Election who will be tallying the votes.
- c. *Delivery.* The envelope may be mailed to the address on the envelope or delivered by hand to a location specified by the Inspectors of Election. The Member may request a receipt for delivery.
- d. *Ballot Solicitation.* Door-to-door collection of ballots is prohibited. Ballots collected in this manner will be invalid.

4.5 Inspectors of Election. At least thirty (30) days prior to the date ballots are sent to the membership, the Board shall, at an open meeting of the Board, select either one (1) or three (3) independent Inspectors of Election to (i) oversee all ballot measures and elections, including the election of directors, (ii) hear and determine all challenges and questions regarding any aspect of the election, (iii) collect ballots, (iv) supervise the opening and counting of ballots, (v) certify the election results, and (vi) do such other acts as may be proper to conduct the election.

4.6 Counting Ballots. Inspectors of Election shall oversee the opening and tabulating of all ballots in before the membership at a properly noticed open meeting of the Board or membership as provided for in the Election Rules. No person shall open or otherwise review any ballot prior to the time and place at which the ballots are opened and counted.

4.7 Announcement of Results. The results of the election shall be announced immediately after all the ballots have been counted. Within fifteen (15) days of the election, the Board shall publicize the results of the election in a communication to all Members.

4.8 Storing Election Materials. All election materials shall be stored in a secure place for no less than one (1) year after the date of the election.

Article 5: ELECTION AND REMOVAL OF DIRECTORS

5.1 Number and Term. The Board shall consist of seven (7) Directors. Each director shall serve for a term of two (2) years or until qualified successors are elected to fill their seats. Three (3) directors shall be elected in even-numbered years and four (4) directors shall be elected in odd-numbered years.

5.2 Term Limits. Directors serving the substantial portion of four (4) consecutive years are not eligible to serve on the Board for a period of one (1) year. After being off the Board for a minimum of eleven (11) months, the person may again be eligible to be appointed or elected to the Board of Directors.

5.3 Director Qualifications. No person may be a candidate for the Board of Directors if that person:

- a. Is not a Member in Good Standing of the Association;
- b. Is delinquent by more than sixty (60) days in the payment of any Assessment, fee or fine;
- c. Is engaged as an opponent in a legal proceeding against the Association;
- d. Resides with or has a joint ownership interest in a property subject to the CC&Rs with another Director; or
- e. Has been convicted of a felony and/or is a registered sex offender.

5.4 Impersonal Entities. In the event a corporation or other impersonal entity is a Member of the Association, it may designate one person to stand for election to the Board on its behalf. Before it can designate a representative for election to the Board, the entity itself must satisfy all qualifications for being a director. In addition, the designated representative must (i) not be engaged as an opponent in a legal proceeding against the Association, (ii) not reside with or have a joint ownership interest in a property subject to the CC&Rs with another Director, (iii) not be a convicted felon or registered sex offender.

5.5 Election Procedure. The election of Directors each year shall be by action by ballot without a meeting as provided for in Article 4 of these Bylaws.

5.6 Nominations. Each year prior to the annual meeting, the Board shall, by written notice to all Members, solicit nominations of candidates for election to the Board of Directors. The notice shall include the qualifications for election to the Board of Directors and a cutoff date for close of nominations. Qualified candidates may nominate themselves by submitting to the Board a written statement, which must be received by the Board no later than the date set for close of nominations.

5.7 Quorum and Election. The election of Directors each year shall be by action by ballot without a meeting as provided for in Article 4 of these Bylaws. There shall be no quorum requirements for the election of directors. Of the ballots properly cast, those persons receiving the largest number of votes shall be elected to those seats open to election.

5.8 Organizational Meeting. The Board shall meet to select the officers of the association immediately after or as soon as practicable after the results of the election of Directors are announced. If the meeting of the Board for selection of officers occurs at a separate meeting from the one where the directors were elected, the Board shall give notice to all Members consistent with notice requirements. Notice of the organizational meeting shall be given at the same time as the annual meeting. If the meeting is held immediately following the annual meeting, notice to the newly elected Directors is not necessary to legally constitute the meeting, provided that a majority of the Board is present

5.9 Removal of Director by the Board. By vote at a duly noticed meeting of the Board, a majority of the Board may declare vacant the office of any Director who:

- a. Ceases to meet the qualifications of a Director;
- b. Has been declared of unsound mind by a final order of court;
- c. Has been absent three (3) consecutive regular meetings of the Board or four (4) regular meetings within any twelve (12) month period;
- d. Allows a proposed contract or other transaction to be put to a vote by the Board or membership without disclosing that he or she will receive a financial benefit from the transaction; or
- e. Disseminates confidential information learned at an executive session meeting to individuals who are not on the Board (excluding communications necessary to put into effect actions approved by the Board) without Board authorization or approval.

5.10 Removal of Directors by Membership. At any duly called and noticed meeting of the Members, at which a quorum is present, the entire Board or any individual Director may be

removed from office by a majority of the total votes present at the meeting either in person or by proxy and entitled to vote. In the event that any or all Directors are so removed, new Directors shall be elected at the same meeting. There shall be no reduced quorum at an adjourned meeting for the purpose of removing the Board or any Director.

5.11 Resignation. Any Director may resign by giving written notice to the President, the Secretary, or the Board. The resignation shall take effect upon the giving of the notice unless a later time is specified in the notice. If the resignation is effective at a future time, the resigning Director may participate in the selection of a successor to fill the vacated seat.

5.12 Vacancies. A vacancy or vacancies on the Board shall be deemed to exist in the case of the death, resignation, disqualification or removal of any Director, or in the case of a declaration of the Board of a vacancy. Vacancies on the Board created other than by removal by the Members may be filled by a vote of the Board, except, if there are less than three Directors, vacancies may be filled by a majority of the remaining Directors. If the remaining Directors are evenly divided and cannot agree on the appointment of a Director to fill the vacancy, then the Board shall notice a special election for Members to elect a Director. Each Director so appointed or elected shall hold office until the end of his predecessor's term.

Article 6: BOARD OF DIRECTORS

6.1 Powers. The business and affairs of the Association shall be controlled by the Board. In addition to the powers and duties set forth in the Association's Governing Documents, the Board shall have the power to perform any and all other acts that a nonprofit mutual benefit corporation is empowered to do in the administration of the Association's affairs and to protect and advance the general welfare of the Association.

6.2 Enactment of Rules. The Board may adopt, amend, or repeal Rules for the use, occupancy and maintenance of the Project; for the general health, welfare, comfort, and safety of Members; and to interpret and implement these CC&Rs, and establish penalties for violation of such Rules. The Board shall use the following procedure for adopting Rules and Regulations.

- a. *Distribution to Members*. The proposed Rules shall be distributed to the membership at least 30 days before an open Board meeting at which the Board will vote on adopting the policy. The distribution shall include a notice of the meeting and a description of the purpose and effect of the proposed Rules.
- b. *Vote on Rules*. At the scheduled Board meeting, the Board shall vote on adoption, amendment or repeal of the Rules after considering any comments received from Members on this issue.

- c. *Approved Rules.* Within 15 days of approving the Rules, the Association shall distribute notice of the Rules change to the membership.
- d. *Applicability.* This Section shall apply to Rules that relate to (i) use of the Common Area, Exclusive Use Common Areas, or Units; (ii) architectural modifications by the Members, including procedures for architectural approval; (iii) Member discipline, including fine schedules and procedures for imposing discipline; (iv) standards for payment plans for Members' delinquent assessments; (v) dispute resolution procedures; and (6) election procedures. This Section does not apply to (i) Common Area maintenance; (ii) decisions on a specific situation that are not intended to apply generally; (iii) assessment rates; or (iv) Rules changes or the issuance of other documents that are required by law or that repeat existing law or the Governing Documents, if the Board has no discretion as to the substantive effect of the change.
- e. *Member Vote to Reverse Rule Change.* A Rule whose adoption is subject to this Section may be overturned by the affirmative vote of at least 50% of the membership at a special meeting called for that purpose. A Rule which is reversed pursuant to this Section may not be re-adopted for one year after the date of the membership vote reversing the rule change. However, the Board may at any time adopt a different Rule on the same subject as the Rule change that had been reversed.
- f. *Short-Term Rentals.* Any rule to limit short-term renting of Units shall require Membership approval.

6.3 No Compensation. No Director or Officer shall receive compensation for any service he or she may render to the Association solely because of his or her standing as a Director or Officer. However, Directors and Officers may be reimbursed for actual expenses incurred in the performance of their duties.

6.4 Conflicts of Interest. The Association shall not enter into any contract with any party in which any Officer or Director of the Association, the Manager, management company, or any employee of the Association has a direct or indirect economic interest in the contract without (i) full disclosure of the interest to the Board, (ii) full disclosure of the interest in the minutes of the Board meeting where a discussion occurred, and (iii) recusal from the deliberations and voting by the interested party.

6.5 Duty to Defend. The Association shall indemnify and defend and shall advance reasonable attorneys' fees and costs and all expenses and liabilities its Officers, Directors, Committee members, and employees reasonably incur in connection with any proceeding to which they may be a party by reason of having been an Officer, Director, Committee member or

employee of the Association. However, the Association may recover its attorneys' fees and costs from those persons who are adjudged to have acted in bad faith or in gross negligence in the performance of their duties, or to be liable to the Association (unless the Court determines that the person is fairly and reasonably entitled to indemnity for expenses).

Article 7: MEETINGS OF THE BOARD

7.1 Member Notice of Board Meetings. Members shall be given notice of the time and place of Board meetings at least four (4) calendar days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot, or by newsletter or similar means of communication. An emergency meeting of the Board may be called if there are circumstances that could not have been reasonably foreseen which require immediate attention by the Board. In such instances, the Board shall give notice as may be reasonable and practical.

7.2 Director Notice of Board Meetings. Notice of Board meetings shall be given to each Director at least four (4) calendar days prior to the meeting to the address, phone number, fax number, or email address listed on the Association's records for the Director.

7.3 Waiver of Notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by that Director of the time and place thereof. If all of the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. Whether present at or absent from a meeting, any Director may provide a written waiver of notice or written consent to holding any meeting.

7.4 Place of Meetings. All meetings of the Board shall be held at a place in or near the development designated by the Board or at such other place convenient to the Board.

7.5 Regular Meetings. Meetings of the Board shall be held at least once per month although the Board may, at its discretion, waive a monthly meeting.

7.6 Special Meetings. Special meetings of the Board may be called by the President or by a majority of the Board. Such meetings may be held upon four (4) days notice. In the event of an emergency, the Board may meet with less notice but must post such notice to the membership and must note in the minutes of the meeting the reason why more notice could not be given.

7.7 Executive Sessions. The Board may, upon the vote of a majority of the Board's quorum, meet, or adjourn a Board meeting and reconvene, in executive session exclusive of all Members who are not Directors to consider or vote upon (i) litigation, (ii) the formation of contracts with third parties, (iii) Member discipline (unless the Member and Board agree to have the matter heard in open session), (iv) personnel matters, or (v) to meet with a Member, upon the

Member's request, regarding the Member's payment of assessments as required by statute. Any matters considered in executive session shall be generally noted in the minutes of the next meeting that is open to the entire membership.

7.8 Quorum. At meetings of the Board, a majority of Directors shall be necessary to constitute a quorum for the transaction of business. Directors may not attend Board meetings by proxy.

7.9 Adjournment of Board Meetings. A majority of the Directors present at a meeting, whether or not a quorum is present, may adjourn any Board meeting to a stated day and hour. If the meeting is adjourned for more than 24 hours, before the adjourned meeting is held, notice of the adjournment shall be given to Directors who were not present at the time of the adjournment.

7.10 Attendance by Members. Regular and special (non-executive session) meetings of the Board shall be open to all Members. A reasonable amount of time shall be set aside during the meeting to permit Members the opportunity to address the Board as provided for in the Open Meeting Act of the Davis-Stirling Act.

7.11 Conduct of Board Meetings. Board meetings shall be conducted by the Association's president or, in the president's absence, an Officer or Director designated by the Board. Board meetings need not be conducted according to any particular parliamentary procedure.

7.12 Teleconference. Members of the Board may participate in a meeting through use of a conference telephone, electronic video screen, or similar communications equipment, so long as all Directors participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

7.13 Minutes of Meetings. The minutes, minutes proposed for adoption that are marked as draft, or a summary of the minutes of Board meetings other than executive session meetings shall be available to Members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the Association's cost.

7.14 Action by Written Consent in Lieu of Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting if all Directors consent in writing to such action. Such written consent shall state that the action was taken by unanimous written consent of the Board without a meeting, and that these Bylaws authorized the Directors to so act. It shall be filed with the minutes of the Board meetings and be posted at a prominent place in the Common Area within three (3) days after the consent is obtained. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

Article 8: OFFICERS

8.1 Officers. The Officers shall be President, Vice President, Secretary, Treasurer, and such other Officers as the Board may designate. The President may not hold more than one office; however, any two of the remaining offices may be held by a single person.

8.2 Term of Office. Officers shall hold office at the pleasure of the Board. Officers shall be appointed by the Board and shall hold office until the annual election of Directors, or until he or she resigns, is removed, or is otherwise disqualified to serve. Within thirty (30) days of the election of Directors each year, the Board shall reappoint Officers. The same Directors may be appointed to the same offices. There is no limit on the number of terms served by officers.

8.3 Removal and Resignation. Any Officer may be removed at any time by the vote of a majority of all the Directors then in office at any regular or special meeting of the Board at which a quorum is present. Any Officer may resign at any time by giving written or verbal notice to the Board. Any such resignation shall take effect on the date the notice is given unless a later date is specified in the notice.

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

8.5 President. The President shall be the principal executive Officer of the Association and shall, subject to the control of the Board, supervise, direct and control all of the business and affairs of the Association. The President shall preside at all meetings of the Board, shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have other powers and duties as may be prescribed by the Board or these Bylaws. The President shall act as spokesperson (or liaison) between the Manager and the Board unless the Board directs otherwise.

8.6 Vice President. In the absence or disability of the President, the Vice President shall perform all duties of 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 these Bylaws.

8.7 Secretary. The Secretary shall keep, or cause to be kept, in the management office (i) minutes of all meetings of the Board and the membership, (ii) the names of all Members of the Association and their addresses, and (iii) such other records of the Association's affairs as may be necessary and proper. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by the Bylaws or by law, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

8.8 Treasurer. The Treasurer shall keep, or cause to be kept, accounts of the monies, properties and business transactions of the Association. The Treasurer shall 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 cause to be disbursed 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 the Association's transactions and the financial condition of the Association which shall be made a part of the minutes of Board meetings, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

8.9 Assistant Treasurer and Assistant Secretary. The Board may appoint one or more Assistant Treasurers and/or Assistant Secretaries who need not be Members of the Association to assist the Officers in their duties.

8.10 Parliamentarian. The Board may also appoint a Parliamentarian to advise it on matters of parliamentary procedure.

Article 9: COMMITTEES

9.1 Establishment of Committees. The Board may establish Committees as it deems appropriate and necessary to advise and/or assist the Board in carrying out its duties. The Board shall specify the task of each Committee, may limit the number of members of any Committee, may appoint non-Members to Committees, may limit the term of the Committee, and may appoint Committee chairpersons who need not be Board members. Committee chairpersons may be appointed by the Board and if not appointed may be elected by members of the Committee.

9.2 Term of Office. Committees shall dissolve automatically at each annual meeting to be reappointed by the new Board at the Board's discretion. Individual committee members and committee chairs may be added or removed at any time by the Board, with or without cause.

9.3 Committee Authority. Except as may be otherwise provided in these Bylaws, Committees are advisory only and shall have no authority to spend Association monies, enter into contracts, or direct Association personnel or vendors.

9.4 Member Comments. Each Committee shall receive comments and complaints from Members on any matter within its field of responsibility. Committees shall handle or dispose of such comments or complaints as it deems appropriate or refer them to any other Committee, Director, or Officer of the Association also involved in that matter, or to the Board.

9.5 No Compensation. Committee membership is voluntary and members shall not be compensated for their services. However, Committee members may be reimbursed for reasonable expenses incurred in the performance of their duties.

9.6 Meetings. Committees shall meet from time to time as may be necessary to perform their duties. Committees shall make interim reports to the Board during the course of their task and shall make a final report to the Board upon completion of their tasks.

9.7 Conflicts of Interest. No Committee member may participate in or make recommendations on any matter which involves a Member of his or her own family, or in which the Committee member or his or her family has a direct or indirect financial interest.

9.8 Executive Committee. The Board may appoint an Executive Committee composed of two (2) or more Directors. The Board may prescribe the manner in which this Committee's meetings are held. Minutes shall be kept of each such meeting. The Executive Committee may be delegated any of the powers and authority of the Board except for the following: (i) approval of any action which requires the approval of the Members; (ii) filling vacancies on the Board; (iii) appointing Committees or Committee members; (iv) amending or repealing any Board resolution which by its express terms is not amendable or repealable by the Executive Committee; (v) approving any transaction involving self-dealing; or (vi) expending corporate funds to support a nominee for Director if there are more nominees than Director positions available.

Article 10: BUDGETS, RESERVES AND FINANCIAL STATEMENTS

10.1 Review of Accounts. The Board shall do the following not less frequently than quarterly in accordance with Section 1365.5 of the California Civil Code:

- a. *Operating Accounts.* Cause a current reconciliation of the Association's operating accounts to be made and review the same.
- b. *Reserve Accounts.* Cause a current reconciliation of the Association's Reserve Accounts to be made and review the same.
- c. *Actual to Budget.* Review the current year's actual revenues and expenses compared to the current year's budget for the Association's Operating and Reserve Accounts.
- d. *Bank Statements.* Review and cause to be reconciled the most current account statements prepared by the financial institution where the Association has its Operating and Reserve Accounts.

- e. *Income and Expense Statements.* Review an income and expense statement for the Association's Operating and Reserve Accounts.

10.2 Operating Budget. The Board shall annually prepare an estimated operating budget for the next fiscal year. The budget shall include the following, in accordance with Civil Code Section 1365:

- a. *Revenue and Expenses.* The estimated revenue and expenses on an accrual basis.
- b. *Reserves.* A summary of the Association's Reserves based upon the most recent review or study which shall be printed in bold type and include: (i) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component, (ii) the current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; and the current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components as of the end of the fiscal year for which the study is prepared.
- c. *Special Assessments.* A statement as to whether the Board 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 therefor.
- d. *Reserve Procedure.* 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.
- e. *Summary in Lieu of.* In lieu of the distribution of the budget, the Board may elect to distribute a summary of the budget to all Members with a written notice in at least 10-point boldface type on the front page of the summary that the budget is available at the business office of the Association or at another suitable location and that copies will be provided upon request at the Association's expense.
- f. *Revised Budget.* If the Board, in its reasonable discretion, deems it necessary at any time during the course of its fiscal year to adjust or modify the budget, it may do so, and copies of the revised budget shall be sent to all Members within thirty (30) days of its adoption by the Board.

10.3 Annual Review. An annual review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the

California State Board of Accountancy. A copy of the review of the financial statement shall be distributed to all Members within one hundred twenty (120) days after the close of each fiscal year.

10.4 Reserve Study. The Reserve study shall be reviewed annually and at least once every three (3) years the Board shall cause a site-review study of the Reserve account to be performed. The study shall, at a minimum, include:

- a. *Major Components*. Identification of those major components of the Common Areas which the Association is obligated to repair, replace, restore, or maintain.
- b. *Remaining Life*. Identification of the probable remaining useful life of the components as of the date of the study.
- c. *Cost to Repair or Replace*. An estimate of the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life.
- d. *Annual Contribution*. An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components during and at the end of their useful life, after subtracting total Reserve funds as of the date of the study.

Article 11: INSPECTION OF RECORDS

11.1 Maintenance of Records. The Association shall keep or cause to be kept records of the Association as follows:

- a. A membership register setting forth all names, mailing addresses and telephone numbers of the Members (as may be changed from time to time by notice in writing from the Member to the Board of Directors);
- b. The Association's governing documents, minutes of the meetings of the Board; and minutes of meetings of the membership. These records may be kept in written form, in any other form capable of being converted into clearly legible paper form, or any combination;
- c. Financial records and books of account of the Association, including a chronological listing of all receipts and expenditures of funds, as well as a separate account for each Assessment levied or charged against each Lot or

Member, the dates when so assessed and when the same is due, the amounts paid thereon, and the balance, if any, of any Assessment remaining unpaid; and

- d. All other documents required to be made available to Members under this Article. Such additional documents shall be kept for at least the time frame during which Members are entitled to inspect them, as stated below.

11.2 Records Subject to Inspection. The Association shall make the following documents available for inspection and copying by any Member or a representative designated in writing by the Member:

- a. Any financial document or statement required to be distributed annually to Members.
- b. Interim unaudited financial statements, periodic or as compiled, containing any of the following, which shall be prepared in accordance with generally accepted accounting principles: (i) balance sheet, (ii) income and expense statement, (iii) budget comparison, (iv) general ledger, showing all transactions that occurred in Association's account over a specified period of time.
- c. Executed contracts not otherwise privileged under law.
- d. Board approved vendor or contractor proposals or invoices.
- e. State and federal tax returns.
- f. Reserve account balances and records of payments made from reserve accounts
- g. Agendas and minutes of meetings of the Members, the Board and any committees appointed by the Board; excluding, however, agendas, minutes, and other information from executive sessions of the Board.
- h. Check registers.
- i. "Enhanced association records," which are defined as 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.

- j. *Membership List.* The Association shall make available for inspection and copying by any Member or a representative designated by the Member in writing, the Association's membership lists, including each Member's name, property address, and mailing address.

11.3 Records Not Subject to Inspection. The following records are not subject to inspection:

- a. Executive session agendas and minutes of the Board;
- b. Personnel records (other than payroll records);
- c. Litigation files or records protected by the attorney-client privilege;
- d. Pending contracts;
- e. Legal invoices;
- f. Records likely to lead to identity theft;
- g. Records likely to lead to fraud;
- h. Records reasonably likely to compromise the privacy of an individual member (such as owner records, including goods or services provided to members for which the association received monetary consideration other than assessments);
- i. Disciplinary actions, collection activities, or payment plans of other owners;
- j. Personal information, including social security number, tax id number, driver's license number, credit card account numbers, bank account number, and bank routing number;
- k. Interior architectural plans for individual homes.

11.4 Limitation on Availability of Records. As provided for in the Davis-Stirling Act, Association records for the current fiscal year and for each of the previous two (2) fiscal years shall be made available for inspection and copying. However, minutes of Member meetings, Board meetings, and meetings of committees with decision-making authority shall be permanently available for inspection and copying. All records are subject to redacting as provided for by law.

11.5 Deadlines for Producing Records. Associations must produce records within the following time frames:

- a. Minutes of Member and Board meetings: within thirty (30) days of the meeting;
- b. Minutes of committees with decision making authority: within fifteen (15) calendar days following approval of the minutes;
- c. Records for the current fiscal year: within ten (10) business days from receipt of the request;
- d. Records for the previous two (2) fiscal years: within thirty (30) calendar days from receipt of the request;
- e. Any record or statement available pursuant to Civil Code Section 1365 (budget, reserves, lien policies, insurance, financial statement, etc.) or Civil Code 1368 (governing documents, assessments, violations, construction defects, etc.): within the timeframe specified by statute;
- f. Membership list: within five (5) business days of the Association's receipt of a Member's written request.

11.6 Inspection and Copying Procedure. The Association shall make the above Association records available for inspection and copying in the Association's business office within the Project. If the Association does not have a business office within the Project, the Association shall make the specified Association records available for inspection and copying at a place agreed upon by the Member and the Association. If the Association and the Member cannot agree upon a place for inspection and copying, or if the Member requests in writing copies of specifically identified records, the Association may mail copies of the requested records to the Member by first-class mail.

11.7 Redacting Information. The Association may withhold or redact information from the association records as provided for by law.

11.8 Members' Use of Records. Members may not sell Association records, use them for commercial purposes, or use them for any purpose not reasonably related to their interest as a Member of the Association.

Article 12: DISCLOSURES

12.1 Notice of Enforcement Rights. The Board shall annually distribute to each Member a schedule of penalties for violation of the Association's Governing Documents, i.e., monetary penalties, suspension of privileges, injunctive relief, etc.

12.2 Minutes. The Board shall annually notify Members of the Members' right to receive minutes and how and where those minutes may be obtained.

12.3 Budget. The Board shall annually distribute the operating budget to all Members 30 to 90 days prior to the beginning of the fiscal year.

12.4 Reserves. The Board shall annually distribute to all Members (i) a summary of the Association's reserves, (ii) whether Special Assessments will be needed for repairs or to replenish reserves, and (iii) a statement of the procedures used for the calculation of the reserves.

12.5 Financial Statement. The Board shall annually distribute to the Members a review of the Association's financial statement within 120 days of the close of the fiscal year. The financial statement may be distributed by electronic transmission (fax, email, or posting on an electronic message board or network designated by the Association for that purpose together with a separate notice to the recipient of the posting).

12.6 Assessment Collection Policies. The Board shall annually distribute to the Members during the sixty (60) day period prior to the beginning of the fiscal year the Association's policies and practices in enforcing lien rights or other legal remedies for enforcing delinquencies (i.e., late charges, interest, suspension of privileges, etc.).

12.7 Insurance. The Board shall annually distribute to Members a summary of the Association's insurance which complies with Section 1365 of the Civil Code.

12.8 Reserve Transfers for Litigation. The Board shall notify Members in its next available mailing of any transfers from Reserves to pay for litigation.

Article 13: RULES ENFORCEMENT AND DISPUTE RESOLUTION

13.1 Rules Enforcement Procedures. Privileges may not be suspended or fines imposed except as follows:

- a. *Notice of Hearing*. The Board shall set a hearing date and notify the Member in writing at least ten (10) days in advance either personally or by prepaid first-class or registered mail to the most recent address of the Member as shown on the

Association's records. The notice shall set forth the date and nature of the violation, the proposed penalty, and the Member's right to present evidence in his or her defense, either in writing or in person at the hearing.

- b. *Hearing.* The hearing shall be held in executive session unless the Member requests otherwise.
- c. *Notice of Decision.* Within fifteen (15) days after the Board makes a decision on imposition of any penalty or fine, notice of the decision shall be given to the Member which shall specify the violation and the penalty imposed.

13.2 Internal Dispute Resolution. If the Association and a Member are involved in a dispute involving their rights, duties, or liabilities under California law or the Governing Documents, either the Association or the Member may utilize internal dispute resolution as provided for in the Association's Rules and Regulations pursuant to the Davis-Stirling Act.

13.3 Pre-Litigation Dispute Resolution. Before filing suit for actions for declaratory or injunctive relief or writ relief, either alone or in conjunction with a money claim of \$5,000 or less, the party seeking to litigate the matter shall offer alternative dispute resolution pursuant to the procedures described in the Davis-Stirling Act.

Article 14: MISCELLANEOUS

14.1 Fiscal Year. The fiscal year of the Association shall be a calendar year, unless a different fiscal year is adopted by the Board.

14.2 Singular Includes Plural. Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include both feminine and the neuter.

14.3 Conflicts. In the case of any conflict, the CC&Rs shall prevail over the Bylaws and Rules; and the Bylaws shall prevail over the Rules.

14.4 Amendments. These Bylaws may be modified, amended or replaced with new bylaws as follows:

- a. *Amendment by Members.* These Bylaws may be modified, amended or replaced with new bylaws by the vote or written consent of a majority of those members voting where a quorum of the membership is present. Any such vote shall be conducted by secret written ballot set forth in the Bylaws.

- b. *Amendment to Conform to Statute.* If at any time a provision in these Bylaws contradicts current law according to a written opinion of the Association's legal counsel, the Board of Directors will have the authority, on the unanimous approval of the Directors and without approval of the Members, to amend that provision, but only to the extent necessary to render the provision compliant with applicable law.

CERTIFICATION

WE CERTIFY this _____ of _____, 200__ that these Restated Bylaws have been duly approved and adopted by the Association's membership.

President

Secretary