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## **THIRD AMENDED AND RESTATED BYLAWS OF HACIENDA CARMEL COMMUNITY ASSOCIATION**

### **NOTICE**

**If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the California *Government Code*. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.**

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# THIRD AMENDED AND RESTATED BYLAWS OF HACIENDA CARMEL COMMUNITY ASSOCIATION

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## ARTICLE 1            ORGANIZATION

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- 1.1 Name and Location. The name of the corporation is HACIENDA CARMEL COMMUNITY ASSOCIATION, which is hereinafter referred to as the “Association.” The principal office of the Association shall be located in Monterey County, State of California or at such other place reasonably convenient to the Project as the Board of Directors may from time to time establish.
- 1.2 Purpose. The purpose of the Association shall be as set forth in its Articles of Incorporation.
- 1.3 Successor Entity. In the event the Association as a corporate entity is dissolved, a nonprofit unincorporated association shall forthwith and without further action or notice be formed to succeed to all the rights and duties of the Association. The affairs of such unincorporated association will be governed by the laws of the State of California, and to the extent consistent therewith, by the Declaration, the Articles of Incorporation, and these Bylaws as if they were created for the purpose of governing the affairs of an unincorporated association.

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## ARTICLE 2            DEFINITIONS

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Any capitalized terms that are not defined below shall have the meaning set forth in Article 1 of the Declaration (“Definitions”).

- 2.1 Additional Charges. “Additional Charges” shall mean all costs, fees, charges, and expenditures including, but not limited to, interest, late charges, attorney fees, recording and filing fees, and all other costs actually incurred by the Association in collecting and/or enforcing payment of Assessments.
- 2.2 Articles of Incorporation. “Articles of Incorporation” shall mean the Amended Articles of Incorporation of Hacienda Carmel Community Association, as they may be further amended from time to time, and as filed with the Office of the Secretary of State of California.
- 2.3 Assessments. “Assessments,” “Annual Assessments,” “Special Assessments,” “Reimbursement Assessments,” and “Enforcement Assessments” shall have the meanings defined for those terms in the Declaration.



- 2.4 Association. “Association” shall mean Hacienda Carmel Community Association, a California nonprofit mutual benefit corporation, its successors and assigns.
- 2.5 Board of Directors. “Board of Directors” or “Board” shall mean the governing body of the Association.
- 2.6 Bylaws. “Bylaws” shall mean the Third Amended and Restated Bylaws of the Association as they shall be duly adopted by the Board of Directors and the Members and any duly-adopted amendments thereof.
- 2.7 Civil Code. “*Civil Code*” shall mean the California *Civil Code* as amended from time to time.
- 2.8 Committee of the Board. “Committee of the Board” shall mean a committee consisting only of directors as described in *Corporations Code* section 7212.
- 2.9 Common Area. “Common Area” shall mean all of the property comprising the Project that is owned by all of the Owners in common but excluding the Units and all real property owned or held by the Association from time to time for the common use and enjoyment of the Owners and Residents of the Project.
- 2.10 Condominium. “Condominium” shall mean an estate in real property, as defined in *Civil Code* sections 783 and 4125, consisting of an undivided interest in all or any portion of the Common Area together with a separate fee interest in a Unit and all easements or other interests appurtenant thereto.
- 2.11 Contract Purchaser/Contract Seller. “Contract Purchaser” and “Contract Seller” shall mean the purchaser and the seller, respectively, under an installment land contract in which title to the property is transferred after the final installment payment is made.
- 2.12 Corporations Code. “*Corporations Code*” shall mean the California *Corporations Code* as amended from time to time.
- 2.13 Declaration. “Declaration” shall mean the Third Amended and Restated Declaration of Covenants, Conditions and Restrictions of Hacienda Carmel, recorded in the Office of the County Recorder of Monterey County, State of California, and any duly- recorded amendments thereof.
- 2.14 Delivery, When Effective. As provided for in *Civil Code* section 4050: (i) if notice is sent by United States mail, such notice shall be deemed delivered upon deposit in the United States mail, postage prepaid; (ii) if such notice is sent by electronic means, delivery is complete at the time of the transmission.

2.15 General Delivery / General Notice. “General Delivery” or “General Notice” shall mean delivery to a Member or Members by one (1) or more of the following methods, as provided in *Civil Code* section 4045:

- (a) By any method provided for delivery of an Individual Notice pursuant to *Civil Code* section 4040 which includes but is not limited to first-class mail or express mail or by overnight delivery by an express service carrier;
- (b) By inclusion in a billing statement, newsletter, or other document that is delivered by General Delivery;
- (c) By posting a 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;
- (d) If the Association broadcasts television programming for the purpose of distributing information on Association business to its Members, by inclusion in the Association broadcast television programming.

Notwithstanding the foregoing, if a Member has requested to receive General Notices by Individual Delivery, then all “General Notices” to that Member shall be delivered by “Individual Delivery.”

2.16 Governing Documents. “Governing Documents” shall mean the Articles of Incorporation, Bylaws, Declaration, and Rules (including but not limited to the Senior Housing Residency Restrictions).

2.17 Individual Delivery / Individual Notice. “Individual Delivery” or “Individual Notice” shall mean delivery to a Member or Members by one (1) of the following methods, as provided in *Civil Code* section 4040:

- (a) By first-class mail with postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier, addressed to the recipient at such recipient’s address last shown on the books of the Association; or
- (b) By email, facsimile, or other electronic means if the recipient has consented, in writing or by email, to that method of delivery. The consent may be revoked, in writing or by email, by the recipient. Delivery by electronic transmission must also comply with *Corporations Code* sections 20 and 21. Among other things, Section 20 of the *Corporations Code* requires the Association to obtain consent from the person to whom the document is transmitted to receive it by means of electronic transmission as well as other technical requirements.

- 2.18 Majority of a Quorum. “Majority of a Quorum” shall mean a majority of the votes cast in any lawful vote or election by the Members in which the number of ballots cast equals or exceeds the number required to establish a quorum as provided in Section 4.6.
- 2.19 Member. “Member” shall mean an Owner.
- 2.20 Member in Good Standing. “Member in Good Standing” shall mean a Member of the Association who is current in the payment of all Annual Assessments and Special Assessments imposed in accordance with the Governing Documents and who is in compliance with all of the provisions of the Governing Documents. A Member shall be deemed to be in Good Standing unless, after notice and an opportunity for hearing, pursuant to Article 12 of the Declaration (“Enforcement; Notice; Hearings”), the Board has found the Member to be not in Good Standing and has so notified the Member in accordance with *Civil Code* section 5855.
- 2.21 Owner. “Owner” shall mean the record owner, whether one or more persons or entities, of the fee simple title to any Condominium, including Contract Sellers but excluding Contract Purchasers, and excluding those persons having such interest merely as security for the performance of an obligation.
- 2.22 Project. “Project” shall mean all of the real property described in the Declaration as comprising the Hacienda Carmel condominium project, and any additional real property as may hereafter be brought within the jurisdiction of the Association.
- 2.23 Resident. “Resident” shall mean any person who resides in a Unit within the Project whether or not such person is an Owner.
- 2.24 Rules. “Rules” shall mean the policies, rules, and regulations governing the administration, management, operation, use, and occupancy of the Project, including the use of the Common Area and facilities, the personal conduct of Members and Residents, members of their household, pets, tenants, invitees, and guests within the Project, enforcement of the Governing Documents, and any other matter that is within the jurisdiction of the Association, as adopted, published, or amended by the Board from time to time and subject to applicable law including *Civil Code* section 4340 and following.
- 2.25 Total Voting Power. “Total Voting Power” shall mean the total number of votes of all Members entitled to vote at a particular time, calculated on the basis of one (1) vote for each Unit.
- 2.26 Unit. “Unit” shall mean the elements of a Condominium that are not owned in common with the Owners of other Condominiums in the Project, as more particularly set forth in the Declaration. There are three hundred (300) Units in the Project.

**ARTICLE 3                    MEMBERSHIP AND VOTING RIGHTS; QUALIFICATION OF RESIDENTS**

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- 3.1 Membership Appurtenant to Unit Ownership. Membership in the Association shall include, and shall be limited to, all Owners of any Unit located within the Project. Ownership of a Unit is the sole qualification to be a Member. Membership shall be appurtenant to and may not be separated from ownership of a Unit. Upon becoming the Owner of a Unit, each Owner shall automatically be a Member of the Association and shall remain a Member until such time as his or her or its Unit ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, alienated, or hypothecated in any way, except upon the transfer or encumbrance of the Unit to which it is appurtenant and then only to the transferee or mortgagee, as the case may be, of such Unit. Any attempt to make a prohibited transfer is void. Upon any transfer of title to a Unit, including a transfer upon the death of an Owner, membership in the Association shall pass automatically to the transferee.
- 3.2 Ownership Does Not Grant Right of Occupancy; Qualification of Residents. Membership in the Association and Ownership of a Unit does not grant the Member the right of occupancy of that Unit or any other Unit within the Project. All prospective Residents must be approved by the Board in advance as provided in Section 5.7 of the Declaration (“Senior Citizen Residential Use; Qualification for Residency”).
- 3.3 Owner’s Address for Notice. It shall be each Owner’s responsibility to notify the Association in writing of any change in the Owner’s address for the purpose of receiving notices from the Association. The fact that a different address appears on correspondence to the Association from an Owner shall not constitute such written notice, unless it is expressly stated in writing that such address is a change of address for the purpose of receiving notice from the Association.
- 3.4 Owner’s Duty to Annually Provide Address, Other Information. As required by *Civil Code* section 4041, each Owner shall annually provide written notice to the Association of (i) the Owner’s address for the purpose of receiving notices from the Association, (ii) an alternative or secondary address, if any, to which notices from the Association are to be delivered, (iii) the name and address of the Owner’s 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 Unit, and (iv) whether the Unit is Owner-occupied, is rented out, or if the Unit is vacant. If an Owner fails to provide notice to the Association as set forth in (i) and (ii), above, the last address provided in writing by the Owner or, if none, the Unit property address, is deemed the address to which the Association shall deliver notices.

- 3.5 Notice of Transfer of Title. Upon transfer of title to a Unit, the transferee shall be responsible for notifying the Association of such transfer. The notification shall set forth the address of the Unit, the names of the transferee and the transferor, and the date of sale or other transfer. Prior to receipt of such notification, any and all communications required or permitted to be given by the Association or the Board to the Unit Owner shall be deemed to be duly made and given to the transferee if duly and timely made and given to the person shown as the Owner of the Unit and at the address in the Association's records.
- 3.6 Proof of Membership. No person shall exercise the rights of a Member until satisfactory proof of membership has been furnished to the Association. Such proof may consist of either a duly-executed and acknowledged grant deed or a title insurance policy showing that the person is an Owner as defined in Section 2.21 ("Owner"). Such deed or policy shall be deemed conclusive proof of ownership in the absence of a conflicting claim based on a later deed or policy.
- 3.7 Voting Rights; Joint Owners.
- 3.7.1 One Vote per Unit. Only Members shall be entitled to vote on any issue or matter presented to the Members for approval or membership vote. Members shall be entitled to cast one (1) vote for each Unit owned.
- 3.7.2 Joint Owners. In the event more than one (1) person owns a given Unit, the vote for such Unit shall be exercised as the Owners among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any Unit. If the joint Owners of a Unit are unable to agree among themselves as to how their vote is to be cast, they shall lose their right to vote on the matter in question. If any joint Owner of a Unit casts a vote representing a certain Unit, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Unit.
- 3.7.3 Trusts, Corporations, Other Entities. In the case of an Owner that is not a natural person (such as a corporate trustee, corporation or other entity), the vote of such Owner may be cast by any authorized representative of the Owner designated by notice in writing to the Association.
- 3.7.4 Conservator, Guardian, Parent of Minor, Executor, General Power of Attorney. The power to cast a particular Member's vote may be exercised by (i) the Member's conservator, (ii) the guardian of the Member's estate, (iii) the parent(s) entitled to custody of a Member if the Member is a minor, (iv) the executor or administrator of a deceased Member's estate if the Member's interest in the Unit is subject to

administration in his or her estate, or (v) a person with a general power of attorney for a Member.

- 3.8 Record Date for Voting. Consistent with *Corporations Code* section 7611(c), the Board may fix a date not more than sixty (60) days before the date of any mailing or delivery of ballots as the record date for determining Members entitled to vote and only Members as shown in the records of the Association as of the record date for voting shall be entitled to vote in such vote or election. If no record date for voting is set by the Board, Members on the day of the mailing or delivery of ballots who are otherwise eligible to vote shall be entitled to vote in such vote or election.

#### **ARTICLE 4                    VOTING BY MEMBERS**

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- 4.1 Voting by Members; Members' Request for Vote. All membership votes, including any vote pursuant to a written request of Members as described in *Corporations Code* section 7510(e), shall be by "secret ballot" pursuant to *Civil Code* sections 5100 through 5145; *provided, however*, that in the case of a membership vote on any matter not specified in *Civil Code* section 5100(a), the deadline for returning a secret ballot may be a reasonable time that is less than thirty (30) days. Voting by the written ballot method described in *Corporations Code* section 7513 shall not be permitted.
- 4.2 Proxies Are Prohibited. Use of proxies in connection with membership votes or membership meetings is expressly prohibited. "Proxy" shall mean a written authorization signed by a Member or a Member's attorney in fact giving another person or persons power to vote for such Member, as defined in *Corporations Code* section 5069, other than (i) a designated authorized representative casting a vote pursuant to Section 3.7.3 ("Trusts, Corporations, Other Entities") or (ii) a person casting a vote pursuant to Section 3.7.4 ("Conservator, Guardian, Parent of Minor, Executor, General Power of Attorney").
- 4.3 Inspector(s) of Election. To the extent required pursuant to *Civil Code* section 5110, prior to any election or vote by the Members, the Board shall appoint one (1) or three (3) inspectors of election, whose powers and duties shall be as set forth in such statute and in the Rules described in Section 4.4 ("Voting and Election Rules").
- 4.4 Voting and Election Rules. The Board shall adopt Rules governing membership voting and elections of directors in conformity with *Civil Code* section 5105. Election Rules adopted pursuant to *Civil Code* section 5105 shall not be amended less than ninety (90) days prior to an election.
- 4.5 Open Forums. Notwithstanding the provisions of Section 4.1 ("Voting by Members; Members' Request for Vote"), the Secretary of the Association shall be

entitled to call informal meetings of the Members, to be known as “open forums”, for the purpose of discussing issues common to Members residing in one (1) particular area within the Project or issues common to all Members. Open forums shall be called on written notice delivered to all interested Members at least five (5) days before the date of the open forum. The notice shall set forth the date, time, and place of the open forum and the general nature of each item to be discussed. The Members may discuss at an open forum any topic that has been noticed, but no formal action of the Members may be taken, such action being reserved to Member votes conducted pursuant to Section 4.1; however, reports and other informational presentations may be made.

- 4.6 Quorum Requirements. The number of ballots that must be cast in order to establish a quorum shall be as follows:
- 4.6.1 Election of Directors. In any election of one (1) or more directors, the number of valid ballots received shall constitute a quorum.
  - 4.6.2 Assessment Votes. To the extent required by *Civil Code* section 5605, notwithstanding any other provision in the Governing Documents, for purposes of voting on a Special Assessment or an increase in the Annual Assessment that by law must be approved by the Members, a quorum shall mean more than fifty percent (50%) of the Members (as distinguished from percentage of the Total Voting Power), or such other quorum requirement as may be specified by law.
  - 4.6.3 All Other Member Votes. For any other vote or election by the Members, a quorum shall be one-third (1/3) of the Total Voting Power.
  - 4.6.4 Meetings to Count Ballots. There shall be no quorum requirement for Member attendance at any meeting of the Members held for the purpose of tabulating ballots pursuant to *Civil Code* section 5120(a) and no action by the Members shall be conducted at any such meeting other than the tabulation of ballots by the inspector(s) of election.
- 4.7 Act of Members Requires Majority of a Quorum. Except where the Governing Documents specify a higher percentage of a quorum or require a specified percentage of the Total Voting Power of the Members for any action that may be taken by the Members, the affirmative vote of a Majority of a Quorum of the Members shall constitute the action of the Members.
- 4.8 Results of Membership Votes. To the extent required by *Civil Code* section 5120(b), the Board shall within fifteen (15) days of an election give General Notice of the tabulated results to all the Members. To the extent required by *Corporations Code* section 8325, for a period of sixty (60) days following the conclusion of any membership vote (or, if applicable, an annual, regular, or special meeting of Members), a Member shall, upon written request, be informed





- 5.2 Time of Annual Election of Directors. Directors shall be elected annually in the month of June.
- 5.3 Qualification of Directors. Only persons who satisfy all of the following qualifications shall be eligible to be elected to or serve on the Board: (i) is a Member in Good Standing or in the case of a Member in Good Standing that is not a natural person (such as a corporation or other entity), an officer, director, principal, or authorized representative of the entity (ii) is at least fifty-five (55) years of age or older, (iii) has not been found by a court of competent jurisdiction to be of unsound mind, (iv) does not have a criminal conviction that would, if elected, prevent the Association from purchasing the fidelity bond coverage required by *Civil Code* section 5806 or terminate the Association's existing fidelity bond coverage, and (v) has been a Member for at least one (1) year. Co-Owners of one (1) or more Units may not be nominated for or serve on the Board at the same time.
- 5.4 Nomination Procedures. Nominations of candidates for election to the Board of Directors may be made by a nominating committee (hereinafter, "Nominating Committee") or by self-nomination, as follows:
- 5.4.1 By Nominating Committee. Prior to any election of directors, the Board may appoint a Nominating Committee to nominate candidates for election to the Board. The Nominating Committee shall nominate as many candidates for election to the Board as it shall in its discretion determine, but shall endeavor to nominate not less than the number of positions on the Board that are to be filled in the election. All nominations shall be made from among persons who satisfy the qualifications set forth in Section 5.3 ("Qualification of Directors") and shall be made prior to the deadline for nominations.
- 5.4.2 By Self-nomination. Any Member who satisfies the qualifications set forth in Section 5.3 ("Qualification of Directors") may place his or her name in nomination for election to the Board by giving written notice to the President or Secretary of the Association. Notice of self-nomination must be received prior to the deadline for nominations.
- 5.5 Deadline for Nominations. The deadline for nominations shall be set by the Board and shall be not less than five (5) and not more than forty-five (45) days prior to the date of the mailing or delivery of ballots for any election of directors. All nominations, whether by a Nominating Committee or by self-nomination, must be received prior to the deadline for nominations.
- 5.6 Publication of Deadline for Nominations. The date and time of the deadline for nominations and the procedure for submitting a nomination shall be provided to

the Members by General Delivery (and by Individual Delivery if so requested by a Member) at least thirty (30) days in advance of the nomination deadline.

- 5.7 Election by Acclamation. If, as of the published deadline for nominations, the number of qualified candidates nominated is not more than the number of directors to be elected, then the individuals nominated and qualified to be elected shall, unless election by acclamation is prohibited by law, be declared elected and shall take office at the first Board meeting following the deadline for nominations or, if later and an annual meeting is held, then at the first Board meeting after the annual meeting. Written notice of the election by acclamation shall be given to the Members.
- 5.8 Candidate Forum. The Board shall conduct a “candidates’ forum” or similar event in connection with any election of directors. Such event shall be held after the deadline for nominations has passed.
- 5.9 List of Known Candidate Names. A list of the names of all persons known by the Board to be qualified candidates for election to the Board as of the published deadline for nominations shall be prepared and distributed as set forth in *Civil Code* section 5115(b) and in the Rules described in Section 4.4 (“Voting and Election Rules”).
- 5.10 Voting for Directors; No Cumulative Voting Permitted; No Write-ins. In all elections of directors, Members may cast, in respect to each position on the Board to be filled, one (1) vote for each Lot owned. The persons receiving the largest number of votes shall be elected. Cumulative voting (i.e., giving more than one vote to any candidate) shall not be permitted. Voting for write-in candidates (that is, voting for any person not nominated prior to the deadline for nominations) is not permitted.
- 5.11 Tied Votes. In the case of a tied vote for one (1) or more positions on the Board, the candidates shall draw lots to determine the winner or winners.
- 5.12 Election and Term of Office. In the next annual election of directors following the approval of these Bylaws, the Members shall elect nine (9) directors. Of the nine (9) directors elected, the three (3) directors who receive the largest number of votes shall serve a three-year term, the three (3) directors who receive the next highest number of votes shall serve a two-year term, and the remaining three (3) directors shall serve a one-year term, in order to create a Board with staggered terms of office. In each annual election of directors thereafter, the Members shall elect directors for a term of three (3) years each to replace those directors whose terms are then expiring. Each director shall serve until the expiration of his or her term and thereafter until a successor is elected, or until the earlier disqualification, death, resignation, or removal of such director.

- 5.13 Director Term Limits. Directors shall not serve for more than one (1) three-year term without being off the Board for at least one (1) year before again serving.
- 5.14 Removal of Directors by the Members. Consistent with *Corporations Code* section 7222, any director may be removed from the Board, with or without cause, by the vote of a Majority of a Quorum of the Members.
- 5.15 Reduction of Number of Directors. Any reduction of the authorized number of directors shall be subject to the provisions of *Corporations Code* section 7222(c).
- 5.16 Vacancies, Resignation, Disqualification of Directors. A vacancy shall exist on the Board (i) in the event of the death, resignation, or removal (by the Members) of any director, (ii) in the event of a declaration of a vacancy by the Board as provided below in this Section 5.16, (iii) if the authorized number of directors is increased, or (iv) if the Members fail to elect the full authorized number of directors.
- 5.16.1 Resignation. Any director may resign by giving written notice to the Board. The resignation shall be effective on the date specified in the notice. Unless otherwise provided in the notice, the acceptance of a resignation shall not be necessary to make it effective.
- 5.16.2 Disqualification of a Director. As provided in *Corporations Code* section 7221(b), the Board of Directors, by a majority vote of the directors who meet all of the qualifications for directors as set forth in Section 5.3 (“Qualification of Directors”), may declare vacant the office of any director who fails or ceases to meet any required qualification that was in effect at the beginning of that director’s current term of office.
- 5.16.3 Failure to Perform Duties. Pursuant to *Corporations Code* section 7221(a), the Board, by vote of a majority of a quorum, may declare vacant the office of any director who: (i) fails within sixty (60) days after receiving notice of election to accept office, either in writing or by attending a meeting of the Board as a director, or (ii) is absent from three (3) consecutive meetings of the Board.
- 5.17 Filling Vacancies.
- 5.17.1 Removal by Members. Pursuant to *Corporations Code* section 7224, vacancies on the Board created by the removal of a director by the Members shall be filled by approval of the Members. A director elected by the Members to fill such a vacancy shall serve the remainder of the term of office of the director whom he or she replaces.

- 5.17.2 Other Vacancies. Any vacancy occurring on the Board of Directors, except a vacancy created by the removal of a director by the Members, may be filled (i) by approval of the Board of Directors; or (ii) by a sole remaining director. If the Board accepts the resignation of a director tendered to take effect at a future time, the Board, including the resigning director, may choose or, if the Board fails to act, the Members may elect, a successor to take office when the resignation becomes effective. The Members may elect a director at any time to fill any vacancy not filled by the directors. A director chosen by the Board in accordance with this Section 5.17.2 to fill a vacancy shall serve the remainder of the term of office of the director whom he or she replaces.
- 5.18 Removal of Entire Board; Replacement Directors. In the case of a vote by the Members to remove the entire Board of Directors, the incumbent directors shall not be removed from office unless and until one (1) or more replacement directors have been elected by the Members. If, in such election, the Members fail to elect the full number of replacement directors, the vacancies then existing on the Board may be filled by the elected replacement directors pursuant to clause (i) or clause (ii) of Section 5.17.2 ("Filling Vacancies"). All of the directors replacing those removed by the Members shall serve until the next annual election of directors at which time: (i) nine (9) directors shall be elected and the three (3) directors who receive the largest number of votes shall serve a three-year term, the three (3) directors who receive the next highest number of votes shall serve a two-year term, and the remaining three (3) directors shall serve a one-year term, in order to create a Board with staggered terms of office; or (ii) alternatively, if the number of qualified candidates for the next annual election is less than or equal to nine (9), the directors shall be elected by acclamation pursuant to Section 5.7 ("Election by Acclamation") and shall draw lots to determine one-year, two-year, or three year terms to create staggered terms of office.
- 5.19 Directors' Conflict of Interest. As provided in *Civil Code* section 5350, no director or member of a committee shall be permitted to vote on matters of (i) discipline of the director or committee member, (ii) an Assessment against the director or committee member for damage to the Common Area or facilities, (iii) a request, by the director or committee member, for a payment plan for overdue Assessments, (iv) a decision whether to foreclose on a lien on the separate interest of the director or committee member, (v) review of a proposed physical change to the separate interest of the director or committee member, (vi) a grant of exclusive use of Common Area to the director or committee member, and (vii) as provided in *Corporations Code* section 7233, any contract or other transaction in which a director or committee member has a material financial interest. As provided in *Corporations Code* section 7234, the interested director or committee member may be counted in determining the presence of a quorum at a meeting of the Board or of a committee.

- 5.20 No Compensation of Directors. No director shall receive compensation for any service he or she may render to the Association as a director. However, upon approval by the Board, any director may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.
- 5.21 Directors' Standard of Care. As provided in *Corporations Code* section 7231, a director shall perform the duties of a director, including duties as a member of any Committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.
- 5.22 Limitation of Liability of Officers and Directors. As provided in *Corporations Code* section 7231, no director, officer, committee member, employee, or other agent of the Association shall be liable to any Owner or any other person or entity, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of any such person if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association.

## **ARTICLE 6                      MEETINGS OF DIRECTORS**

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- 6.1 Definition of Meeting of the Board. As defined in *Civil Code* section 4090, a "meeting" of the Board shall mean either: (a) a congregation, at the same time and place, of a sufficient number of directors to establish a quorum of the Board, to hear, discuss, or deliberate upon any item of business that is within the authority of the Board or (b) a teleconference, where a sufficient number of directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video or both. The foregoing includes executive session meetings of the Board.
- 6.2 Teleconference Meetings. A teleconference meeting shall be conducted in a manner that protects the rights of Members of the Association and otherwise complies with the requirements of the Davis-Stirling Common Interest Development Act (*Civil Code* section 4000 and following). Except for a meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one (1) physical location so that Members of the Association may attend, and at least one (1) director or a person designated by the Board shall be present at the location. Participation by directors in a teleconference meeting constitutes presence at that meeting as long as all directors participating are able to hear one another, as well as Members of the Association speaking on matters before the Board.

- 6.3 Organizational Meeting. As soon as possible, but in any event within thirty (30) days, after each annual election of directors, the Board of Directors shall hold a meeting for the purpose of organization, appointment of officers, and transaction of other business, as appropriate.
- 6.4 Regular Meetings of the Board. Regular meetings of the Board shall be held monthly upon proper notice which conforms to the provisions of Section 6.7 (“Notice to Directors”) and Section 6.8 (“Notice to Members; Agenda”), at the place, day, and time set forth in such notice.
- 6.5 Special Meetings of the Board. Special meetings of the Board shall be held when called by the President of the Association or by any two (2) directors.
- 6.6 Emergency Meetings of the Board. As provided in *Civil Code* section 4923, emergency meetings of the Board may be called by the President or by any two (2) 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 the notice required by *Civil Code* section 4920.
- 6.7 Notice to Directors. Regular meetings of the Board may be held, without further notice to the Board, at a place within the Project and on a day and time fixed by resolution by the Board. If not fixed by resolution of the Board, notice of each meeting of the Board shall be communicated to the directors not less than four (4) days prior to a regular meeting, and not less than forty-eight (48) hours prior to a special meeting; provided that shorter notice may be given in the case of a bona fide emergency; and *provided, further*, that notice of a meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting, whether before or after the meeting.
- 6.8 Notice to Members; Agenda. To the extent required pursuant to *Civil Code* section 4920, except for bona fide emergency meetings (whether open meeting or executive session), prior written notice of the day, time, and place of each meeting of the Board of Directors shall be given to all Members. The notice shall contain the agenda for the meeting, subject to the provisions of *Civil Code* section 4930.
- 6.8.1 Timing of Notice to Members. Notice of open Board meetings shall be given at least four (4) days before the meeting. Notice of a Board meeting that is held exclusively in executive session shall be given at least two (2) days before the meeting.
- 6.8.2 Delivery of Notice to Members. The notice to the Members shall be given by General Delivery in accordance with *Civil Code* section 4045.

- 6.9 Open Meeting. To the extent required pursuant to *Civil Code* section 4925(a), regular and special meetings of the Board of Directors shall be open to all Members of the Association, except when the Board meets in executive session. Pursuant to *Civil Code* section 4925(b), a reasonable time limit for all Members to speak to the Board shall be established by the Board; however, the right to speak to the Board shall not entitle any Member to participate in the Board's deliberations on any matters unless requested to do so by the Board.
- 6.10 Executive Session. To the fullest extent permitted by law, including *Civil Code* section 4935, the Board may meet in executive session to confer with legal counsel or to discuss and/or vote upon personnel matters, Member discipline, litigation in which the Association is or may become involved, matters that relate to the formation of contracts between the Association and others, and for the purpose of meeting with a Member, upon such Member's request, regarding the Member's payment of Assessments. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person(s) whose participation is, in the judgment of the Board, necessary or appropriate, shall be entitled to attend the executive session; *provided, however*, that (i) to the extent required by *Civil Code* section 5673 a decision by the Board to record a lien for delinquent Assessments shall be made at an open meeting of the Board, and (ii) to the extent required by *Civil Code* section 5705(c) a vote of the Board to initiate foreclosure of a lien for delinquent Assessment shall be taken in executive session but shall be recorded in the minutes of the next following open meeting of the Board. There shall be no requirement that the Board convene an open meeting in order to meet in executive session.
- 6.11 Board's Action by Unanimous Written Consent. To the extent provided in *Civil Code* section 4910, the Board may not take action by unanimous written consent without a meeting except in case of emergency and then only by electronic transmission, including email as provided in *Civil Code* section 4910(b)(2). Any such written consents shall be filed with the minutes of the proceedings of the Board.
- 6.12 Quorum for Board's Action. A majority of the number of directors then in office shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.
- 6.13 Voting by Directors. Pursuant to *Corporations Code* section 7211(c), each director shall be entitled to one (1) vote and a director may not vote by proxy or otherwise delegate his or her right to vote on any matter before the Board.

- 6.14 Minutes of Meetings of Directors. To the extent required by *Civil Code* section 4950(a), within thirty (30) days after the date of any meeting of the Board, the Board shall make available to the Members either (i) the minutes of that meeting as adopted by the Board, (ii) if the minutes have not yet been adopted by the Board, the minutes as proposed for adoption which shall be marked to indicate draft status, or (iii) a summary of the minutes. To the extent required by *Civil Code* section 4935(e), any matter discussed in an executive session shall be generally noted in the minutes of the Board and minutes of executive sessions shall not otherwise be required. Copies of the minutes, proposed minutes, or summary of minutes shall be provided to any Member of the Association upon request and upon reimbursement of the Association's costs in providing such copies.

## **ARTICLE 7                    DUTIES OF THE BOARD OF DIRECTORS**

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The Board shall be ultimately responsible for the management and conduct of the affairs of the Association. Without limiting the generality of the foregoing, the specific duties of the Board shall include the following:

- 7.1 Supervision. The Board shall supervise all officers, agents, and employees of the Association, if any, and see that their duties are properly performed.
- 7.2 Records and Minutes. The Board shall cause to be kept a complete record of all its acts and the corporate affairs, including a membership list described in *Civil Code* section 5200(a)(9), adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, Committees of the Board, and any other committee appointed by the Board having decision-making authority.
- 7.3 Maintain Insurance. The Board shall procure and maintain adequate casualty, liability and other insurance as the Board shall determine consistent with the provisions of Article 10 of the Declaration ("Insurance").
- 7.4 Enforcement of Governing Documents. The Board shall enforce the Governing Documents on its own initiative or upon receipt of written complaint from an Owner or a Resident, in accordance with the procedures set forth in Article 12 of the Declaration ("Enforcement; Notice; Hearings").
- 7.5 Annual Budget Report. In accordance with *Civil Code* section 5300(a), the Association shall distribute an annual budget report, not less than thirty (30) days and not more than ninety (90) days prior to the end of the Association's fiscal year. The annual budget report shall conform to the requirements of *Civil Code* section 5300(b) and (e) and section 5550 concerning the following and any other matters as may be required by law:



- 7.5.1 Pro Forma Operating Budget. A “pro forma operating budget” showing the estimated revenue and expenses on an accrual basis.
- 7.5.2 Reserves Summary. A summary of the Association’s reserves, prepared in accordance with *Civil Code* section 5565.
- 7.5.3 Reserves Funding Plan. A summary of the reserve funding plan adopted by the Board in accordance with *Civil Code* section 5550(b)(5). The summary shall include notice to Members that the full reserve study is available on request, and the Association shall provide the full reserve funding plan to any Member upon request.
- 7.5.4 Statement of Deferred Repairs. A statement as to whether the Board has determined to defer repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for decision not to make repairs or replacement.
- 7.5.5 Statement of Anticipated Special Assessments. A statement, consistent with the reserves funding plan, as to whether the Board has determined that one (1) or more Special Assessments will be required to repair, replace or restore any major component or to provide for adequate reserves for such repair, replacement or restoration. The statement shall set out the estimated amount, commencement date and duration of the Assessment, if anticipated.
- 7.5.6 Mechanisms for Funding Reserves. 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.
- 7.5.7 Statement of Reserve Calculations. 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 *Civil Code* section 5570(b)(4), and may not assume a rate of return on cash reserves in excess of two percent (2%) above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.
- 7.5.8 Statement of Outstanding Loans. A statement as to whether the Association has any outstanding loans with an original term of more than one (1) year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

7.5.9 Summary of Association's Insurance Policies. A summary of the Association's property, general liability, earthquake, flood, and fidelity insurance policies; and 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."

7.5.10 Statement of Status As FHA Approved Condominium Project. A statement describing the status of the common interest development as a Federal Housing Administration (FHA) approved condominium project pursuant to FHA guidelines, including whether the common interest development is an FHA approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

"Certification by the Federal Housing Administration may provide benefits to members of any association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development [is/is not (circle one)] a condominium project. The association of this common interest

development [is/is not (circle one)] certified by the Federal Housing Administration.”

- 7.5.11 Statement of VA Approved Condominium Project Status. A statement describing the status of the common interest development as a federal Department of Veterans Affairs (VA) approved condominium project pursuant to VA guidelines, including whether the common interest development is a VA approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

“Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner’s ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development [is/is not (circle one)] a condominium project. The association of this common interest development [is/is not (circle one)] certified by the federal Department of Veterans Affairs.”

- 7.5.12 Charges for Documents Provided Disclosure. The completed “Charges for Documents Provided” disclosure identified in *Civil Code* section 4528. For purposes of this Section 7.5.12, “completed” means that the “Fee for Document” section of the form individually identifies the costs associated with providing each document listed on the form.
- 7.6 Notice of Certain Changes in Insurance. In accordance with *Civil Code* section 5810, as soon as reasonably practicable, the Association shall provide Individual Notice to all Members if any of the policies described in Section 7.5.9 (“Summary of Association’s Insurance Policies”) have lapsed or 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 for any of those policies. If the Association receives any notice of non-renewal of a policy described in Section 7.5.9 and replacement coverage will not be in effect by the date the existing coverage will lapse, the Association shall immediately provide Individual Notice thereof to the Members.
- 7.7 Annual Policy Statement; Notifications to Members. In accordance with *Civil Code* section 5310(a)(1) through (12), not less than thirty (30) days and not more than ninety (90) days before the end of the fiscal year, the Board shall distribute to the Members an annual policy statement which shall include all of the following:

- 7.7.1 Official Communications to Association. A statement notifying the Members of the name and address of the person designated to receive official communications to the Association, in the manner prescribed by *Civil Code* section 4035;
- 7.7.2 Secondary Address for Certain Notices. A statement notifying the Members of an Owner's right to submit to the Association, in accordance with *Civil Code* section 5260(b), a request to have notices sent to up to two (2) different addresses pursuant to *Civil Code* section 4040(b) (concerning annual reports, enforcement of delinquent Assessments, sale by trustee);
- 7.7.3 Location Designated for Posting General Notices. A statement notifying the Members of the location, if any, designated for posting General Notice pursuant to *Civil Code* section 4045(a)(3);
- 7.7.4 Option to Receive General Notices by Individual Delivery. A statement notifying the Members of their option to receive General Notices by Individual Delivery in accordance with *Civil Code* section 4045(b);
- 7.7.5 Notice of Members' Right to Receive Meeting Minutes. A statement notifying the Members of their right to receive meeting minutes in accordance with *Civil Code* section 4950(b);
- 7.7.6 Notice of Assessment Collection Policy. A statement of Assessment collection policies as required by *Civil Code* section 5730(a) printed in at least 12-point type;
- 7.7.7 Notice Regarding Liens and Foreclosure. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments;
- 7.7.8 Notice of Discipline Policy. 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;
- 7.7.9 Notice of Dispute Resolution Procedures. A summary of the statutory provisions relating to employing internal dispute resolution procedures and alternative dispute resolution procedures in certain matters related to enforcement of the Governing Documents which specifically references *Civil Code* sections 5920 and 5965. The summary of the Association's internal dispute resolution procedure may consist of a copy of Section 12.9 of the Declaration ("Investigation of Complaints") through Section 12.16 of the Declaration ("Internal Dispute Resolution"). The summary of the statutory provisions relating to

employing alternative dispute resolution procedures in certain matters related to enforcement of the Governing Documents may consist of a copy of Section 12.17 of the Declaration (“Alternative Dispute Resolution Before Initiating Lawsuit”) through Section 12.19 of the Declaration (“Costs and Attorney Fees”);

- 7.7.10 Notice of Required Architectural Approval. A notice of the requirement for Association approval of physical changes to property, as required by *Civil Code* section 4765 describing the types of changes that require Association approval and including a copy of the procedure for review and approval or disapproval which may consist of a copy of Article 7 of the Declaration (“Architectural Approval”) and a copy of the Architectural Rules, if any;
- 7.7.11 Mailing Address for Overnight Payment of Assessments. A statement notifying the Members of the mailing address for overnight payment of Assessments in accordance with *Civil Code* section 5655(c); and
- 7.7.12 Other Required Information. A statement notifying the Members of other information required by law, or by the Governing Documents, or that the Board determines in its sole judgment to be appropriate for inclusion in the annual policy statement.
- 7.8 Documents Provided to Prospective Purchasers. To the extent required by *Civil Code* section 4530(a), the Board shall provide or cause to be provided to a requesting Owner, within ten (10) days of a written request therefor, the items specified in *Civil Code* section 4525(a), or any of them.
- 7.9 Association’s Duty to Annually Solicit Owners’ Notice of Address, Other Information. As required by *Civil Code* section 4041, the Association shall annually solicit from each Owner notice of the following: (i) the Owner’s address for the purpose of receiving notices from the Association, (ii) an alternative or secondary address, if any, to which notices from the Association are to be delivered, (iii) 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 Unit, and (iv) whether the Unit is Owner-occupied, is rented out, or if the Unit is vacant. The information obtained from each Owner shall be entered into its books and records of the Association at least thirty (30) days prior to sending its annual budget report as set forth in Section 7.5 (“Annual Budget Report”). If an Owner fails to provide notice to the Association as set forth in (i) and (ii), above, the last address provided in writing by the Owner, or if none, the Unit property address, is deemed the address to which the Association shall deliver notices.
- 7.10 Review of Annual Financial Statement. To the extent required pursuant to *Civil Code* section 5305, for any fiscal year in which the gross income to the

Association exceeds Seventy-five Thousand Dollars (\$75,000), the Board shall obtain a review of the financial statements of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy and shall distribute it to all Members of the Association within one hundred twenty (120) days after the close of such fiscal year by Individual Delivery.

7.11 Monthly Review of Accounts. The Board shall review the Association's operating and reserve accounts at least monthly in accordance with the minimum requirements set forth in *Civil Code* section 5500, as follows:

- (a) Review a current reconciliation of the Association's operating accounts on a monthly basis;
- (b) Review a current reconciliation of the Association's reserve accounts on a monthly basis;
- (c) Review, on a monthly basis, the current year's actual operating revenues and expenses compared to the current year's budget;
- (d) Review, on a monthly basis, the latest account statements prepared by the financial institutions where the Association keeps its operating and reserve accounts;
- (e) Review, on a monthly basis, an income and expense statement for the Association's operating and reserve accounts; and
- (f) Review, on a monthly basis, the check register, monthly general ledger, and delinquent assessment receivable reports.

As used in this Section 7.11, the term "reserve accounts" shall have the meaning set forth in *Civil Code* section 4177. Pursuant to *Civil Code* section 5501, the review requirements of *Civil Code* section 5500 may be met when every member of the Board, or a subcommittee of the Board consisting of the Treasurer and at least one (1) other Board member, reviews the documents and statements described above outside of a Board meeting, so long as the review is ratified at the next Board meeting following the review and the ratification is reflected in the minutes of the Board meeting.

7.12 Biennial Notice to Secretary of State. The Board shall file with the Secretary of State the biennial (every two years) statement of names of officers and of agent for service of process required pursuant to *Corporations Code* section 8210 and the statement required by *Civil Code* section 5405(a).

- 7.13 Three-year Reserve Study and Annual Review. In accordance with *Civil Code* section 5550, at least once every three (3) years, the Board shall cause a study of the reserve account requirements of the Project to be conducted, which study shall include the minimum requirements specified in *Civil Code* section 5550(b) or successor statute. The Board shall review the reserve 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.
- 7.14 Prudent Management of Reserve Funds. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account and, to the extent restricted by *Civil Code* section 5510(b), shall not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components for which the Association is responsible and for which the reserve fund was established; *provided, however*, that the Board may authorize a temporary transfer of money from a reserve fund to the Association's general operating fund for the purposes and subject to *Civil Code* section 5520.

## **ARTICLE 8                      POWERS OF THE BOARD OF DIRECTORS**

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The Board of Directors shall have such powers as may be provided by law or expressly set forth in the Governing Documents. Without limiting the generality of the foregoing, the Board shall have the powers specified in this Article 8, subject to any limitations or conditions as may be set forth in the Articles of Incorporation, the Bylaws, or the Declaration.

- 8.1 Make Contracts. The Board shall have the power to authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association, including but not limited to contracts for goods or services and leases of portions of the Common Area.
- 8.2 Consult Professional Advisors. The Board shall have the power to consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out the Board's authority and responsibility under the Governing Documents and the law, and to pay for such professional services.
- 8.3 Hire a Manager and Others. The Board shall have the power to engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties.
- 8.4 Adopt and Enforce Rules. Subject to applicable law, including *Civil Code* sections 4340 through 4370 (regarding procedures for adopting or changing

certain rules), the Board shall have the power to adopt, publish, amend, repeal, and enforce Rules.

- 8.5 Collect Assessments by Foreclosure and/or Legal Action. As addressed in the Declaration, the Board shall have the power to collect Assessments levied by the Association by foreclosing the lien against any property for which Assessments are not paid as required by the Declaration and/or by bringing an action at law against the Owner personally obligated to pay the same.
- 8.6 Impose Sanctions. Upon an explicit finding and for reasons specified by the Board following a hearing conducted in accordance with Article 12 of the Declaration (“Enforcement; Notice; Hearings”), the Board shall have the power to impose sanctions on a Member who is in default in the payment of any Assessment or other charge levied by the Board or is found to be in violation of any provision of the Governing Documents. Sanctions may include loss of good standing, suspension of other rights, and/or monetary penalties (fines), as described in Section 12.8 of the Declaration (“Imposing Sanctions”).
- 8.7 Pay Property Taxes. The Board shall have the power to pay all real property taxes and assessments levied upon any property within the Project to the extent not separately assessed to the Owners. Provided that any such taxes are paid or that a bond insuring the payment is posted, such taxes and assessments may be contested or compromised by the Association prior to the sale or other disposition of any property to satisfy the payment of such taxes.
- 8.8 Deal with Association’s Property; Certain Limitations. The Board shall have the power to acquire and deal with real and personal property of the Association.
- 8.9 Open Bank Accounts; Borrow. The Board shall have the power to open bank accounts, designate signatories upon such bank accounts (subject to the requirements of Section 10.4 (“Checks, Drafts, and Evidences of Indebtedness”) concerning withdrawal of reserve account funds), and borrow money on behalf of the Association.
- 8.10 Pledge Assessments As Security. The Board shall have the power to assign or pledge Assessments of the Association as security for a loan, provided that such assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law to the extent required by *Civil Code* section 5735; and *provided, further*, that approval of the Members shall be required if such assignment or pledge is in conjunction with an increase in the Annual Assessment or the imposition of a Special Assessment that by law requires approval of the Members, and such Members’ approval shall be the same as the Members’ approval required for such increase in the Annual Assessment or imposition of a Special Assessment.



- 8.11 Invest Reserve Funds. The Board shall have the power to manage and invest the Association's reserve funds in prudent investments, provided it does so in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the Board's most recent review of the reserve fund study obtained by the Board as required in Section 7.13 ("Three-year Reserve Study and Annual Review") and applicable law.
- 8.12 Indemnify Agents. To the extent provided in *Corporations Code* section 7237, the Board on behalf of the Association shall have the power to and shall indemnify and hold harmless, to the maximum extent permitted by California law, each person who is or at any time was a director, officer, employee, or agent of the Association, or member of any committee appointed by the Board from and against any and all claims, liabilities, expenses, judgments, fines, settlements, and other amounts, as those terms are defined by California law, actually and reasonably incurred by any such person, and to which any such person shall become subject by reason of his or her being a director, officer, employee, or agent of the Association, or member of any committee appointed by the Board.
- 8.13 Mergers. To the extent permitted by law, the Association shall have the power to participate in mergers and consolidations with other nonprofit organizations organized for the same purposes as this Association, provided that any such merger or consolidation shall be approved by a majority of the Total Voting Power.
- 8.14 Appoint Committees. The Board may appoint an Architectural Review Committee, as provided in the Declaration, and may appoint a Nominating Committee, as provided in Section 5.4 ("Nomination Procedures"), and may appoint such other committees as it deems appropriate in carrying out the powers and purposes of the Association except that the Board may not delegate its authority to hold hearings or impose sanctions. Any "Committee of the Board" (as defined in Section 2.8) shall consist of at least two (2) directors and shall have such powers and duties as the Board shall determine, subject to the limitations of *Corporations Code* section 7212. As provided in *Corporations Code* section 7212(b), a committee exercising the authority of the Board shall not include as members any persons who are not directors. All committees and committee members shall serve at the pleasure of the Board.
- 8.15 Other Powers and Duties. The Board shall have the power to exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by other provisions of the Governing Documents, and undertake any action on behalf of the Association as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Association and/or the interests of the Association and its Members.

## ARTICLE 9 OFFICERS AND THEIR DUTIES

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- 9.1 Enumeration of Principal Officers. The principal officers of this Association shall be a President, a Vice-President, a Secretary (who shall at all times be members of the Board of Directors), and a Treasurer. The Board may, from time to time, by resolution appoint other officers as the Board may determine, as provided in Section 9.4 (“Special Appointments”).
- 9.2 Appointment of Principal Officers. The appointment of the principal officers shall take place at the first meeting of the Board following each annual election of directors.
- 9.3 Term. The principal officers of this Association shall be appointed annually by the Board, and each shall hold office for one (1) year, unless he or she shall sooner resign, be removed by the Board, or otherwise be disqualified to serve.
- 9.4 Special Appointments. The Board may appoint such other officers as the affairs of the Association may require (for example, one or more assistant vice-presidents or assistant secretaries or assistant treasurers), each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine. Officers appointed pursuant to this Section 9.4 need not be members of the Board or Members of the Association.
- 9.5 Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of 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.
- 9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces, subject to the Board’s right to remove an officer.
- 9.7 Multiple Offices. One (1) person may hold two (2) or more offices except that neither the Secretary or any assistant secretary nor the Treasurer or any assistant treasurer may serve concurrently as President. This provision is intended to prohibit a single individual from having apparent authority to bind the Association by virtue of holding both offices, pursuant to *Corporations Code* section 7214.
- 9.8 Authority to Bind Association. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Association or to render the Association liable for any purpose or on any account.

- 9.9 No Compensation of Officers. No officer shall receive compensation for any service he or she may render to the Association as an officer. However, upon approval by the Board, any officer may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.
- 9.10 President. The President shall be the chief executive officer of the Association and shall, subject to control of the Board of Directors, have general supervision, direction, and control of the affairs of the Association and of the other officers and the employees and agents of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board, shall have the general powers and duties of management usually vested in the office of the President of an Association, and shall have such other powers and duties as may be prescribed by the Board of Directors and the Bylaws, subject, however, to any limitations contained in the Declaration.
- 9.11 Vice-President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President and, when so acting, shall have all of the powers of, and be subject to all of the restrictions upon, the President including the restriction on holding multiple offices as set forth in Section 9.7 ("Multiple Offices"). The Vice-President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board of Directors. In the absence or disability of both the President and the Vice-President, or if there is not a Vice-President in office, the Board shall designate another director to preside at a meeting of the Board or of the Members.
- 9.12 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board of Directors may prescribe, a book of minutes of all meetings of directors and Committees of the Board, all meetings of any other committee appointed by the Board that has decision-making authority, and all meetings and votes of Members. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board of Directors required by the Bylaws or by law to be given and shall maintain a proper record of the giving of such notice; shall keep or cause to be kept in safe custody the books, records, and documents of the Association; and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.
- 9.13 Treasurer. The Treasurer shall be responsible for the receipt and deposit in appropriate accounts of all monies of the Association and shall cause disbursement of such funds as directed by resolution of the Board of Directors; may sign all checks and promissory notes of the Association; shall keep or cause to be kept proper books of account; shall cause an annual review of the Association's books and financial statements to be made by a public accountant at the completion of any fiscal year for which such review is required by law or as determined by the Board; shall assist the Board in preparation of an annual budget and a statement of income and expenditures to be presented to the

Members of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors.

## **ARTICLE 10            MINUTES; BOOKS AND RECORDS; FUNDS**

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- 10.1 Minutes of Meetings. To the extent required by *Corporations Code* section 8320(a)(2), the Association shall keep minutes of meetings and proceedings of the Members (including membership votes), meetings of the Board and Committees of the Board, and meetings of any other committee appointed by the Board that has decision-making authority. As provided in Section 6.14 (“Minutes of Meetings of Directors”), any matter discussed in executive session shall be generally noted in the minutes of the next following open meeting of the Board, and minutes of executive sessions shall not otherwise be required. Minutes shall set forth the time and place of holding of such meetings; whether regular or special, and if special, how authorized; what notice was given; the names of those present at meetings of the directors or of any Committee of the Board or of any other committee appointed by the Board that has decision-making authority; the number of votes cast in any vote or election of the membership (or, if applicable, the number of memberships and votes present at Member meetings); and all the proceedings thereof.
- 10.2 Members’ Access to Minutes, Books, and Records. To the extent required by *Civil Code* sections 5200, 5205, 5210, 5215, 5220, 5225, and 5230, and subject to a requesting Member’s compliance with all applicable prerequisites and any applicable limitations (including but not limited to *Corporations Code* section 8332 concerning protection of constitutional rights of other Members, *Corporations Code* section 8338 concerning use of memberships lists, and *Civil Code* section 5215 concerning withholding or redacting certain records), the Association shall make available for inspection and copying by any Member “Association records” (as defined in *Civil Code* section 5200) maintained by the Association. This provision does not require the Association to create or maintain any records not otherwise required by law to be maintained. The Board may adopt and publish reasonable Rules and regulations establishing procedures relating to a Member’s inspection and obtaining copies of Association records.
- 10.3 Directors’ Inspection Rights. As provided in *Corporations Code* section 8334, and subject to any limitations established by law, every director shall have the right at any reasonable time to inspect and copy all books, records, and documents and to inspect the physical properties of the Association.

10.4 Checks, Drafts, and Evidences of Indebtedness.

10.4.1 Operational Expenditures. All checks, drafts, or other orders for payment of money, or notes or other evidences of indebtedness issued in the name of the Association for operational expenditures shall be signed by two persons, at least one (1) of whom is an officer or a director and the manager and in the manner specified by resolution of the Board of Directors.

10.4.2 Reserve Expenditures. In accordance with *Civil Code* section 5510(a), the withdrawal of funds from the Association’s reserve account shall require the signatures of at least two (2) persons who shall be members of the Board of Directors or one (1) member of the Board of Directors and one (1) officer who is not a member of the Board of Directors.

10.5 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in such banks or other depositories as the Board of Directors shall, from time to time, determine. The managing agent of the Association, if any, shall manage the Association’s funds in accordance with *Civil Code* section 5380.

10.6 Fiscal Year. The fiscal year of the Association shall be May 1 through April 30.

**ARTICLE 11            AMENDMENTS**

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11.1 Amendments Generally. These Bylaws may be amended by approval of the Board and the affirmative vote of a Majority of a Quorum of the Members; *provided, however,* that, upon advice of legal counsel licensed to practice law in the State of California, including the drafting by legal counsel of appropriate amendatory provisions, the Board shall have the authority without the requirement of the Members’ approval to amend any provision of the Bylaws: (i) to resolve any conflict between the Bylaws and applicable law which may arise due to the enactment or amendment of a statute or due to a development in applicable case law or (ii) to conform the provisions of the Bylaws to changes in applicable statutory law that impose requirements that are non-discretionary.

11.2 Record of Amendments. When an amendment or a new Bylaw provision is adopted, it shall be placed in the appropriate place in the minute book of the Association together with a certificate signed by the Secretary stating the date on which it was approved by the Board and whether at a meeting or by unanimous written consent of the directors, and the date on which it was approved by the Members.

## ARTICLE 12 MISCELLANEOUS

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- 12.1 Conflict in Governing Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.
- 12.2 Amendments to Referenced Statutes; Time for Performance. References in the Bylaws to particular statutes, including sections of the *Civil Code* or the *Corporations Code*, shall be deemed to include any successor statute and any amendments to existing or successor statutes. Whenever these Bylaws state a time for the performance of any act by the Association which by law (as it may exist from time to time) must be performed at or within a specified time, the time for the performance of such act shall be deemed to be the widest timeframe permitted under then-applicable law.

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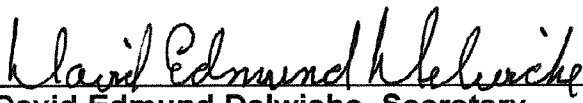
CERTIFICATE OF AMENDMENT AND RESTATEMENT OF  
BYLAWS OF  
HACIENDA CARMEL COMMUNITY ASSOCIATION

I, the undersigned, hereby certify that:

I am the Secretary of HACIENDA CARMEL COMMUNITY ASSOCIATION.

The foregoing Third Amended and Restated Bylaws of HACIENDA CARMEL COMMUNITY ASSOCIATION were duly approved by the requisite vote of the Members of the Association.

Executed this 2<sup>nd</sup> day of November, 2021.

  
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David Edmund Delwiche, Secretary