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**BYLAWS  
OF  
HYPERION LOFTS  
A California Nonprofit Mutual Benefit Corporation**

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**BYLAWS  
OF  
HYPERION LOFTS**

**A California Nonprofit Mutual Benefit Corporation**

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**ARTICLE I**

**Name of the Association**

The name of the Association is **Hyperion Lofts** ("Association").

**ARTICLE II**

**Introduction**

**2.01 Incorporation of Definitions.**

The definitions contained in the Declaration of Covenants, Conditions, Restrictions and Easements ("Declaration") recorded in this Project are applicable to the same terms used in these Bylaws.

**ARTICLE III**

**Meetings of Members**

**3.01 Special and Regular Annual Meetings of Members.**

- (a) At least once a year, a regular annual meeting of Members shall be held at approximately the same time each year. The Board shall decide the exact time.
- (b) The first annual Member meeting must be held within six (6) months after the closing of the First Close of Escrow of a Condominium authorized for sale in the DRE public report.
- (c) Every year, the Board must schedule subsequent annual Member meetings within thirty (30) days of the same date as the first meeting (not on a legal holiday).
- (d) At the annual meetings, Members shall elect a Board of Directors in accordance with these Bylaws and transact other Association business.
- (e) Special meetings shall be held pursuant to Corporations Code Sections 7510 and 7511.
- (f) Member meetings shall be held in compliance with Civil Code Section 1363.05.

**3.02 Notice of Meetings.**

Notice of meetings (Regular or Special) shall be given in compliance with Corporations Code Section 7511.

3.03 **Conduct of Meetings.**

Member meetings must be conducted in accordance with a recognized system of parliamentary procedures or any parliamentary procedures the Association may adopt.

3.04 **Action Without a Meeting.**

- (a) Any action, except the election of directors, amendments to the governing documents, or the grant of exclusive use of common area property, that may be taken at any Members' meeting may be taken without a meeting in compliance with Corporations Code Section 7513.
- (b) Within three (3) days an explanation of the action shall be posted at a prominent place within the Common Area if not unsuitable for such posting, otherwise the explanation shall be communicated by other appropriate means.

3.05 **Quorum.**

- (a) The presence, in person, by attorney in fact, by proxy, or by the casting of a ballot which was received by the inspector or inspectors of election, of Members entitled to cast a majority of the total voting power of the Association constitutes a quorum for all Member meetings (except as otherwise specifically provided in these Bylaws or the Declaration).
- (b) Once a quorum has been established at a meeting, Members may do business until adjournment, even if attendance becomes less than the quorum amount during the course of the meeting, and as long as any action taken is approved by at least a majority of the Members required constituting a quorum.
- (c) Whether or not a quorum is present, a majority of Members present (in person or by proxy) may adjourn the meeting until a date not less than five (5) or more than thirty (30) days from the original meeting date. Notice of the adjourned meeting shall be given in the same manner as for a special meeting.

3.06 **Rules Changes.**

- (a) This section shall apply to any operating rule that relates to one or more of the following subjects:
  - (1) Use of the common area or of an exclusive use common area.
  - (2) Use of a separate interest, including any aesthetic or architectural standards that govern alteration of a separate interest.
  - (3) Member discipline, including any schedule of monetary penalties for violation of the governing documents and any procedure for the imposition of penalties.
  - (4) Any standards for delinquent assessment payment plans.
  - (5) Any procedures adopted by the Association for resolution of disputes.
  - (6) Any procedures for reviewing and approving or disapproving a proposed physical change to a member's separate interest or to the common area.
  - (7) Procedures for elections.

- (b) This section shall not apply to the following actions by the Board:
  - (1) A decision regarding maintenance of the common area.
  - (2) A decision on a specific matter that is not intended to apply generally.
  - (3) A decision setting the amount of a regular or special assessment.
  - (4) A rule change that is required by law, if the board of directors has no discretion as to the substantive effect of the rule change.
  - (5) Issuance of a document that merely repeats existing law or the governing documents.
- (c) Except for actions specified in paragraph (b) of this Section, notice of any intended rule change shall be given as set forth in Civil Code section 1357.130 or any successor statute.
- (d) Any rule change made by the Board pursuant to paragraph (c) of this Section may be reversed at a special meeting of the Members called and conducted in the manner set forth in Civil Code section 1357.140 or any successor statute.

## **ARTICLE IV**

### **Elections**

#### **4.01 Record Date.**

The Record Date for determining the Members entitled to notice and to vote shall be determined in compliance with Corporations Code Section 7611.

#### **4.02 Membership and Voting Rights.**

- (a) The qualifications for voting and the voting power of each membership set forth in the Declaration are incorporated herein by reference.
- (b) The voting period for elections shall be one day. Unless the Board determines that the hours of polling should be expanded, the polls shall open at 8:00 a.m. and close at 6:00 p.m. The Board shall establish a means by which ballots may be returned to an inspector of election prior to the opening of the polls on the day of voting.

#### **4.03 Candidates and Campaigning for Board of Directors**

- (a) Procedures for nominations for election to the Board shall comply with Corporations Code Section 7520. Any member of the Association may nominate him or herself for election to the board of directors, or may be nominated by another person. The Rules and Regulations of the Association may permit nominations from the floor and/or write-in candidates.
- (b) Any candidate for the Board of Directors shall be a member of the Association. Any other qualification for elected office shall be as set forth in the Declaration.

- (c) If any candidate or member advocating a point of view is provided access to Association media, newsletters, or Internet Web sites during a campaign, for purposes that are reasonably related to that election, equal access shall be provided to all candidates and members advocating a point of view, including those not endorsed by the board, for purposes that are reasonably related to the election. The Association shall not edit or redact any content from these communications, but may include a statement specifying that the candidate or member, and not the association, is responsible for that content.
- (d) All candidates, including those who are not incumbents, and all members advocating a point of view, including those not endorsed by the Board, shall have access to the common area meeting space, if any, during a campaign, at no cost, for purposes reasonably related to the election.
- (e) Association funds shall not be used for campaign purposes in connection with any Association board election. Funds of the Association shall not be used for campaign purposes in connection with any other Association election except to the extent necessary to comply with duties of the Association imposed by law. "Campaign purposes" include, but are not limited to, the following:
  - (1) Expressly advocating the election or defeat of any candidate that is on the Association election ballot.
  - (2) Including the photograph or prominently featuring the name of any candidate on a communication from the Association or its board, excepting the ballot and ballot materials, within 30 days of an election, provided that this is not a campaign purpose if the communication is one for which subdivision (a) of Section 1363.03 requires that equal access be provided to another candidate or advocate.
- (f) The provisions of this section are subject to the provisions of Civil Code section 1363.04 or any successor statute.

#### 4.04 **Voting and Election of Directors.**

- (a) Cumulative voting in the election of Board Members is required for all elections in which two or more positions are to be filled and is subject only to the procedural prerequisites to cumulative voting prescribed in Section 7615(b) of the Corporations Code, which currently provides for cumulative voting only if (1) at least one member has announced an intention to cumulate votes, and (2) if candidates have been placed in nomination prior to voting. Under such voting, a member may give one candidate a number of votes equal to the number of directors to be elected, or distribute the votes among the candidates in any manner.
- (b) The first election of Directors to the Board of Directors of the Association shall be conducted at the first meeting of the Association.
- (c) Not less than twenty percent (20%) of the total number of Board Directors ("specially elected" directors) shall be elected by a majority vote of the Members (other than Declarant) as long as:
  - (1) A majority of Association voting power resides in the Declarant; or
  - (2) There are two outstanding classes of Association Membership.
- (d) If twenty percent (20%) of the total number of Board Directors is a fractional number, the number of Directors to be elected by Members other than Declarant will be rounded to the next higher whole number.

- (e) To calculate how many votes are needed to elect a director, apply the following formula:

$X = [(M \times D) / (N + 1)] + 1$ , where:

X = number of votes needed to elect a director

M = number of members = 5

D = number of directors to be elected (at least 2)

N = number of directors on the board

As an example, if the board has 3 directors and 2 are to be elected,  $X = (5 \times 2) / 4 + 1 = 3.5 = 4$  (3.5 is rounded up). Cumulative voting is not used if there are still two classes of members or if Declarant still controls a majority of the votes, because in those situations the members other than Declarant have the right to elect at least 20% of the Board members.

#### 4.05 **Voting Affecting Exclusive Use Common Areas.**

After the Association acquires fee title to or an easement right over a Common Area, the unanimous affirmative vote of the Board must approve the grant to any Member of the exclusive use of any portion of the Common Area. However, approval by the membership shall not be required in order to accomplish any of the following:

- (a) A reconveyance of all or any portion of that Common Area to Declarant to enable the continuation of development that is in substantial conformance with a detailed plan of phased development.
- (b) Any grant of exclusive use that is in substantial conformance with the Condominium Plan or in accordance with the governing documents.
- (c) Any grant of exclusive use to eliminate or correct engineering errors in documents recorded with the county recorder or on file with a public agency or utility company.
- (d) Any grant of exclusive use to eliminate or correct encroachments due to errors in construction of any improvements.
- (e) Any grant of exclusive use to permit changes in the Condominium Plan in circumstances where the changes are the result of topography, obstruction, hardship, aesthetic considerations, or environmental conditions.
- (f) Any grant of exclusive use to fulfill the requirement of a public agency.
- (g) Any grant of exclusive use to transfer the burden of management and maintenance of any Common Area that is generally inaccessible and is not of general use to the membership at large of the Association.
- (h) Any grant in connection with an expressly zoned industrial or commercial development, or any grant within a subdivision of the type defined in Civil Code Section 1373 or successor statute.

#### 4.06 **Ballots.**

- (a) Selection of members of the Association board of directors, amendments to the governing documents, or the grant of exclusive use of common area property pursuant to California Civil Code Section 1363.07 shall be held by secret ballot in accordance with the procedures set forth in this section. Voting on other issues may be held by secret ballot in the discretion of the Board.
- (b) Any instruction given in a proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the member's vote by secret ballot. The inspector(s) of election shall determine the authenticity, validity, and effect of proxies. A member may not revoke a proxy once the inspector(s) or inspectors of election have received the ballot.



- (c) An election may be conducted entirely by mail, in which case the ballots must be counted at an open board or membership meeting, as if cast in person.
- (d) Ballots and two pre-addressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to every member not less than 30 days prior to the deadline for voting. In order to preserve confidentiality, a voter may not be identified by name, address, or lot, parcel, or unit number on the ballot. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including all of the following:
  - (1) The ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into an outer envelope that is sealed. In the upper left hand corner of the outer envelope, the voter prints and signs his or her name. The address, and lot, or parcel, or unit number that entitles the Member to vote may be written by the member or on a preprinted mailing label supplied by the Association.
  - (2) The second envelope is addressed to the inspector(s), who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the inspector(s). The member may request a receipt for delivery.
  - (3) Once a secret ballot is received by the inspector(s), it is irrevocable.
- (e) All votes shall be counted and tabulated by the inspector(s) in public at a properly noticed open meeting of the board of directors or members. A quorum need not be present at such meeting. Any candidate or other member of the Association may witness the counting and tabulation of the votes. No person, including a member of the Association or an employee of the management company, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated.
- (f) The results of the election shall be promptly reported to the board of directors of the Association and shall be recorded in the minutes of the next meeting of the board of directors and shall be available for review by members of the association. Within 15 days of the election, the board shall publicize the results of the election in a communication directed to all members. A report of the election results shall include the total votes for and against each issue or candidate.
- (g) The sealed ballots at all times shall be in the custody of the inspector(s) or at a location designated by them until after the tabulation of the vote, at which time custody shall be transferred to the association.
- (h) After tabulation, election ballots shall be stored by the Association in a secure place for no less than one year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by Association members or their authorized representatives. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.
- (i) Any measure placed before the members requesting that the board of directors grant exclusive use of any portion of the common area shall specify whether the Association will receive any monetary consideration for the grant and whether the Association or the transferee will be responsible for providing any insurance coverage for exclusive use of the common area.

#### 4.07 **Inspectors of Election.**

- (a) The board shall select one or three independent third parties as inspector(s) of election. The Board shall have discretion to select the larger number of inspectors. The inspectors may appoint assistants to verify signatures and count votes, and any such assistants shall meet the same qualifications as the inspectors.

- (b) An independent third party includes, but is not limited to, a volunteer poll worker with the county registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a member of the association, but may neither be, nor be related to, a member of the board of directors or a candidate for the board of directors. An independent third party may not be a person who is currently employed or under contract to the Association for any compensable services unless expressly authorized by rules of the association.
- (c) The inspector(s) of election shall do all of the following:
  - (1) Determine the number of memberships entitled to vote and the voting power of each.
  - (2) Determine the authenticity, validity, and effect of proxies, if any.
  - (3) Receive ballots.
  - (4) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
  - (5) Count and tabulate all votes.
  - (6) Determine when the polls shall close.
  - (7) Determine the result of the election.
  - (8) Perform any acts as may be proper to conduct the election with fairness to all members in accordance with this section and all applicable rules of the Association regarding the conduct of the election that are not in conflict with this section.
- (d) An inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three inspectors of election, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the inspector or inspectors of election is prima facie evidence of the facts stated in the report.

## **ARTICLE V**

### **Board of Directors**

#### **5.01 Provisional Board.**

Declarant shall appoint a provisional Board of Directors to govern the Development. The Directors of the Provisional Board need not be Owners and shall serve until such time as the first election of the Association is held. At the first election, Directors shall be replaced or elected according to the procedure set forth below in accordance with the Real Estate Commission Regulation Section 2792(c)(1).

#### **5.02 Number, Election, and Term of Office.**

- (a) The authorized number of Directors shall be three (3) unless otherwise determined and approved by a majority of the Board Members representing a quorum. The authorized number of Directors shall remain an odd number at all times.

- (b) The terms of office of the Directors shall be as follows: One (1) Director shall serve a one (1) year term, and the remaining Directors shall each serve a four (4) year term. If more than one (1) Director is to be elected, the candidate receiving the highest number of votes shall fill the Director position having the longest term, and each remaining position shall be filled in the same manner. If two or more candidates receive the same number of votes and the positions to be filled have different terms, the inspectors of election shall determine the manner of breaking the tie.
- (c) The initial Directors shall be designated by the Declarant as soon as practical after the incorporation of the Association.
- (d) At the first annual meeting of Members, but not at any other annual meeting of Members, the Declarant shall choose one of the following two procedures for election of Directors to replace those initially appointed by Declarant:
  - (1) Declarant shall specify one (1) director to be replaced by the Members (other than Declarant). The other Directors shall continue to fulfill their remaining terms of office and shall continue to serve until the next annual meeting immediately following the expiration of the official term; or
  - (2) A new election shall be held in which all Members shall vote to replace all Directors. The Director receiving the most votes of Members (other than the Declarant) shall be elected to serve a one (1) year term. All other Directors shall be elected by all Members, including Declarant, to serve four (4) year terms.
- (e) The term of Directors may be amended at any time after Declarant's membership in the Association ceases or upon expiration of the terms of all initial Directors, whichever first occurs.

#### 5.03 **Vacancies.**

- (a) A vacancy exists if:
  - (1) A Director resigns, dies, is removed from office, or terminates his or her membership in the Association during the Director's term of office;
  - (2) The Members increase the number of authorized Directors but do not elect the additional Directors at the meeting; or
  - (3) The Members do not elect the full number of Directors.
- (b) Board vacancies (except as a result of removal) or a vacancy for a specially elected Director may be filled by a simple majority of Directors for the remainder of the term of the position that became vacant until a successor is elected at an annual or special meeting of Members.
- (c) The Board may declare vacant the office of a Director who is convicted of a felony or declared of unsound mind by a final court order.
- (d) Members may elect:
  - (1) Directors to fill any vacancy not filled by the Directors, at any time; and
  - (2) Additional Directors, at the meeting in which an increase in the number of Directors is authorized.
- (e) Members other than Declarant shall elect a successor to the position specially elected Director made vacant by death, resignation or removal.

#### 5.04 **Removal of Directors.**

- (a) Directors may be removed pursuant to the provisions of Corporations Code Sections 7222 and 7223.
- (b) Specially elected Director(s) may be removed from office prior to expiration of the Director's term of office only by the vote, by secret ballot, of at least a simple majority of the voting power residing in Members other than Declarant.
- (c) Unless the entire Board is removed, no individual Director may be removed if the votes cast against such removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Directors were then being elected. Failure to vote constitutes a vote against removal.
- (d) Any director elected by the Members, who (i) has three (3) consecutive, unexcused absences from Board meetings, (ii) is more than thirty (30) days delinquent (or is the representative of a Member who is so delinquent) in the payment of any Assessment or other charge due the Association, or (iii) fails to cure a Governing Document violation pertaining to his or her Unit after being given notice from the Board or its designee and a reasonable opportunity to cure such violation, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.
- (e) In the event of the death, disability, felony conviction or resignation of a Director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term.
- (f) This Section shall not apply to the initial Directors or Directors appointed pursuant to the Class B right. Any successor needed to fill any vacancy on the Board resulting from the death, disability, or resignation of an initial Director or a Class B appointed Director shall be appointed pursuant to the Class B rights.
- (g) To calculate how many votes are needed to block removal of an individual director, apply the following formula:  $X = (M/(N+1))+1$ , where:
  - X = number of votes needed to prevent removal of a director
  - M = number of members = 5
  - N = number of directors on the boardAs an example if the board has 3 directors and 1 is to be removed:  $X = (5/4) + 1 = 2.25 = 3$  (2.25 is rounded up). In this example, if 3 of the 5 members vote against removal of the director, the director cannot be removed.

#### 5.05 **Regular Meetings.**

- (a) The Board must hold no less than one (1) meeting per quarter on dates established by Board resolution.
- (b) Notice of Regular Board meetings must be given to each Director at least four (4) days before the meeting date.
- (c) The notice of meeting shall be posted at a prominent place in the Common Area, unless it is unsuitable for such posting, in which case the Board shall communicate the notice by appropriate means.
- (d) Regular Meetings shall be held in compliance with Civil Code Section 1363.05.

5.06 **Special Meetings and Notices.**

- (a) Special Meetings of the Board of Directors may be called at any time for any purpose by the President, Vice President, or any two (2) Directors.
- (b) Written notice specifying the time, place and the nature of business to be conducted at the Special Meeting must be delivered to each Director at least seventy-two (72) hours before the meeting.
- (c) The notice shall be communicated to Members as specified in subparagraph (c) of the Section entitled "*Regular Meetings*" herein.
- (d) Special Meetings shall be held in compliance with Civil Code Section 1363.05.

5.07 **Place Of Meetings.**

The meetings shall be held within the Property itself unless, in the judgment of the Board, a larger meeting room is required than exists within the Property, in which case the meeting room selected shall be as close as possible to the Property.

5.08 **Waiver of Notice.**

- (a) A Director may sign a waiver of notice, written consent, or approval of minutes of any meeting.
- (b) Waivers and consents must be filed with Association records or made a part of the minutes of the meeting.
- (c) Director attendance at a Board meeting waives the Director's notice of meeting.

5.09 **Adjournment.**

- (a) A majority of the Directors present (whether or not they constitute a quorum) may adjourn to another time and place.
- (b) Notice shall be given to any directors not present.

5.10 **Quorum.**

- (a) A quorum for the transaction of business is a majority of the number of Directors.
- (b) A meeting at which a quorum is initially present may continue to transact business after Directors withdraw, provided that any action is approved by a majority of the required quorum.

5.11 **Action Without Meeting.**

- (a) The Board may take action without a meeting if all Board Members file their written consent to the action with the Minutes of the Board proceedings.
- (b) Within three (3) days an explanation of the action shall be posted at a prominent place within the Common Area, unless it is unsuitable for such posting, in which case the explanation shall be communicated by other appropriate means.

5.12 **Conduct of Meeting**

- (a) All Board meetings (except Executive Sessions) are open to all Association Members and mortgage holders (although non-Board Members may not participate in deliberations or decisions unless expressly authorized to do so by a majority of a quorum of the Board).
- (b) Directors may participate in a meeting by telephone as long as all Directors participating can hear one another.

5.13 **Executive Sessions.**

- (a) With the approval of a majority of its Members, the Board may adjourn a meeting and reconvene in executive session to consider litigation affecting the Association, matters that relate to the formation of contracts with third parties, personnel matters, or other matters where executive sessions are authorized by law.
- (b) The nature of business to be considered in executive sessions must first be announced in open session.
- (c) Any matter discussed in executive session shall be generally noted in the Minutes of the Board.
- (d) In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member, and the Member in question shall be entitled to attend the executive session.

5.14 **Committees.**

The Board may create committees to serve at the pleasure of the Board. Such committees shall be created only by resolution adopted by a majority of the Directors then in office, provided that a Quorum is present.

**ARTICLE VI**

**Officers**

6.01 **Enumeration of Officers.**

- (a) The Association will have the following officers:
  - (1) A President;
  - (2) A Vice President;
  - (3) A Secretary; and
  - (4) A Treasurer.
- (b) Except for the Secretary and/or Treasurer, officers must be Directors.

6.02 **Election of Officers.**

At the initial meeting of the Board, officers shall be elected to serve until the next regular annual organizational meeting of the Board to take place after the next election of Directors by Members.

6.03 **Removal and Resignation.**

- (a) An officer may be removed from office (but not from the Board, if the officer is a Board member) by the Board with or without cause.
- (b) 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.

6.04 **Vacancies.**

An officer vacancy may be filled for the remainder of the term as prescribed in these Bylaws by regular election or appointment to office.

6.05 **President.**

The President is the principal executive officer of the Association, with the following duties and powers:

- (a) Generally supervise all of the Association's business and affairs;
- (b) Preside at all meetings of the members and of the Board; and
- (c) Perform all general duties incident to the office of President prescribed by the Board.

6.06 **Vice President.**

The Vice President will perform the following duties:

- (a) The duties of the President, if the President is absent, unable or unwilling to act; and
- (b) Other duties assigned by the President or the Board.

6.07 **Treasurer.**

The Treasurer is the chief financial officer of the Association, with the following duties and powers:

- (a) Ensure that adequate and correct accounts of Association properties and business transactions are kept and maintained;
- (b) Send financial statements and reports to Association Members as required;
- (c) Have custody and responsibility for all Association funds and securities;
- (d) Receive all monies payable to the Association and give appropriate receipts;
- (e) Deposit all monies in the name of the Association in banks or depositories selected in accordance with these Bylaws; and
- (f) Perform all general duties incident to the office of Treasurer assigned by the President or the Board.

6.08 **Secretary.**

The Secretary will perform the following duties:

- (a) Ensure that the minutes of Member, Board and Committee meetings are kept in books for that purpose;
- (b) Ensure that all notices are given as required;
- (c) Have custody of the Association's records; and
- (d) Perform all duties assigned by the President or by the Board.

6.09 **Manager or Management Company.**

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

## **ARTICLE VII**

### **Duties and Powers of the Association**

7.01 **Board Powers and Limitations.**

The powers and duties of the Board shall normally include, but shall not be limited to, the following:

- (a) Enforcement of applicable provisions of the Covenants, Conditions and Restrictions, Articles, Bylaws and other instruments for the ownership, management and control of the Project.
- (b) Contracting for casualty, liability and other insurance on behalf of the Association.
- (c) Delegating its powers to committees, officers or employees of the Association as expressly authorized by the Governing Documents.
- (d) Preparation of budgets and financial statements for the Association as prescribed in the Governing Documents.
- (e) Formulation of rules of operation of Common Areas and facilities owned or controlled by the Association.
- (f) Election of officers of the Board of Directors.
- (g) Filling of vacancies on the Board of Directors, except for vacancies created by removal of a director.
- (h) The Board is authorized to:
  - (1) Adopt and enforce reasonable Rules and Regulations not inconsistent with the Governing Documents concerning the Property and that comply with Civil Code Sections 1357.100 et seq. or any successor statutes;
  - (2) Pay taxes and assessments which are, or could become, a lien on the Common Area Common Areas or a portion thereof;



- (3) Contract for goods and/or services for Common Areas and facilities for the Association subject to the limitations set forth in Section 7.02 below;
- (4) Delegate its powers to committees, officers or employees of the Association or outside companies or persons hired by the Association as expressly authorized by the Governing Documents;
- (5) Formulate rules of operation of Common Areas and facilities owned or controlled by the Association;
- (6) Commence disciplinary proceedings against members of the Association for violations of provisions of the Governing Documents in accordance with procedures set forth in the governing instruments;
- (7) Enter upon any privately owned Unit as necessary in connection with construction, maintenance or emergency repair for the benefit of Common Areas or the Owners in common;
- (8) Amend the Governing Documents for the purpose of correcting technical errors, clerical mistakes or for clarification without presenting such changes to the Members for approval; and
- (9) Institute, defend, settle or intervene on behalf of the Association in litigation, mediation, or administrative proceedings in matters pertaining to:
  - (A) Enforcement of the Governing Documents;
  - (B) Damage to the Common Areas;
  - (C) Damage to the separate interests which the Association is obligated to maintain or repair; or
  - (D) Damage to the separate interests which arises out of, or is integrally related to, damage to Common Areas or separate interests that the Association is obligated to maintain or repair.

## 7.02 **Contracts.**

- (a) The Board may not ordinarily take any of the following actions unless approved by a majority of Members (other than Declarant) constituting a quorum, at a meeting or by written ballot without a meeting, pursuant to Corporations Code Section 7513:
  - (1) Enter into a contract for a term longer than one (1) year with a third person who furnishes goods or services for the Association, with the exception of the types of contract specified in Sections 7.01(h)(9) and 7.02(b).
  - (2) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.
  - (3) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.
  - (4) Pay compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

- (b) Notwithstanding the provisions of paragraph (a)(1) above, the Board is authorized to enter into the following types of contract for a term longer than one (1) year with a third person who furnishes goods or services for the Association:
- (1) A management contract with terms approved by the FHA or VA;
  - (2) A contract with a public utility company if the Public Utilities Commission regulates rates charged for materials or services, provided that the contract term does not exceed the shortest term for which the supplier will contract at the regulated rate;
  - (3) Prepaid casualty and/or liability insurance policies not to exceed three (3) years' duration, provided that the policy permits short-rate cancellation by the insured;
  - (4) Agreements for satellite dishes or cable television services and equipment, not to exceed five (5) years duration, provided that the Declarant's ownership interest in the entity does not exceed ten percent (10%);
  - (5) Agreements for sale, lease, installation or services of burglar and fire alarm equipment, not to exceed five (5) years duration, provided that Declarant's ownership interest in any entity involved does not exceed ten percent (10%);
  - (6) A management contract for a term not to exceed three (3) years that is terminable by the Association without cause, penalty or other obligation upon no more than ninety (90) days written notice of termination to the other party;
  - (7) Lease agreements for laundry room fixtures and equipment, if any, not to exceed five years duration, provided that Declarant's ownership interest in the lessor under the agreement does not exceed ten percent (10%).

7.03 **Adoption/Amendment of New Rules and Regulations.**

- (a) Pursuant to Civil Code Section 1357.001-1357.150, the Board shall adopt or amend new rules and regulations according to the following procedure:
- (1) At least thirty (30) days before a vote on adopting or amending an operating rule, the Board must mail a copy of the proposed change to the members, along with an explanation of its purpose and effect. When voting on the rule, the Board must take into consideration any member comments received. Within fifteen (15) days of voting on an operating rule, the Board must notify the membership of the results of the vote.
  - (2) Within thirty (30) days of this notification, either member can request a special meeting to reverse the Board vote. The Board must give ten (10) to ninety (90) days' notice of a special meeting at which a quorum is present, at which a majority of the votes represented and voting can reverse the Board's decision. The Board must notify the members of the results of this vote within fifteen (15) days. If an operating rule is reversed, it cannot be re-adopted by the Board for at least one year. However, the Board may vote on other "operating rules" covering the same subject.
  - (3) If the Board determines that an immediate rule change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association, it may make an emergency rule change; and no notice is required. An emergency rule change is effective for one hundred twenty (120) days.

- (b) If Civil Code Section 1357 is amended, this provision automatically shall be amended in the same manner. If this Section is repealed and no successor section is enacted, this provision shall remain in full force and effect. This Civil Code Section may have been amended by the State Legislature since this Declaration was recorded, and the Board should confirm the current statutory requirements.
- (c) An operating rule shall be enforceable only if it is: (1) in writing, (2) within the Board's authority, (3) consistent with governing law and the Association's Governing Documents, (4) adopted in good faith, and (5) reasonable.

#### 7.04 **Required Notices and Disclosures.**

The notices and disclosures to be given or made by the Board shall include but not necessarily be limited to the following:

- (a) Sixty (60) days before the beginning of the Association's fiscal year, the notice required by Civil Code Section 1365.1 regarding assessments and foreclosure shall be provided to every Member and shall be printed in at least 12-point type. The notice shall be in the language set forth in Section 1365.1 or any successor statute.
- (b) Sixty (60) days before the beginning of the Association's fiscal year, the disclosure summary required by Civil Code Section 1365.2.5 regarding assessments and reserve funding shall be provided to every Member, in the language set forth in Section 1365.2.5 or any successor statute.
- (c) No less than thirty (30) days nor more than ninety (90) days before the beginning of the Association's fiscal year, the disclosure summary required by Civil Code Section 1365(e) regarding the Association's insurance policies shall be provided to every Member, in the language set forth in Section 1365(e) or any successor statute.
- (d) No less than thirty (30) days nor more than ninety (90) days before the beginning of the Association's fiscal year, the pro forma operating budget required by Civil Code Section 1365(a) shall be provided to every Member, in the language set forth in Section 1365(a) or any successor statute.
- (e) At the time the pro forma operating budget is distributed, the Association shall also distribute to the Members a summary of the Alternative Dispute Resolution procedures set forth in Civil Code Sections 1369.510 through 1369.580, and Sections 1363.810 through 1363.840. Said summary shall include the following language: "Failure of a member of the Association to comply with the Alternative Dispute Resolution requirements of Section 1360.520 of the Civil Code may result in the loss of Owner's right to sue the Association or another member of the Association regarding enforcement of the governing documents or the applicable law."

#### 7.05 **Penalties for Noncompliance.**

- (a) In recognition of the need for a reasonable means of encouraging and insisting upon compliance with the provisions of the Governing Documents without resorting to suits for injunctive relief, the Board is authorized to do the following:
  - (1) Establish a reasonable policy of reasonable penalties, including monetary penalties (which specifies the amounts of potential monetary penalties);
  - (2) Assess such penalties against any Owner found to be in violation of any provision of the Governing Documents; and
  - (3) Temporarily suspend an Owner's voting rights as a Member of the Association and/or rights to use Common Area facilities for as long as the violation continues.

- (b) However subject to any amendments thereto, Notice and Hearing relating to the imposition of any penalties in this Section must be made in the following manner pursuant to Civil Code 1363(h):
- (1) Notice must be given in writing, by either personal delivery or first-class mail to the relevant Owner's most recent address in the Association's records at least ten (10) days before the proposed effective date of the penalty;
  - (2) Notice must set forth details of the alleged violation itself, the proposed penalty, the date, time and place of the Hearing, and a statement that the Owner has a right to attend and may address the Board;
  - (3) Hearing will be held by the Board of Directors, and their decision is final and binding upon the Owner;
  - (4) The Board shall meet in executive session if requested by the Owner being disciplined, and the Owner shall be entitled to attend the executive session; and
  - (5) If the Board imposes discipline on the Owner, a written notice must be given to the Owner by either personal delivery or first-class mail, within fifteen (15) days following the action.
  - (6) Following the Hearing, the Board must decide whether or not the Owner should in fact be penalized, and the nature of the penalty.
- (c) If the Board establishes a policy imposing any monetary penalty, including any fee on any member for a violation of the Governing Documents or rules of the Association, including any monetary penalty relating to the activities of a guest or invitee of a member, the Board shall adopt and distribute to each member by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for member discipline contained in the Governing Documents. (The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was adopted and distributed to the members.)
- (d) If an Owner fails to comply with a penalty imposed pursuant to the provisions of this Section, the Board may seek judicial enforcement of the penalty in any court of competent jurisdiction, with the Owner liable for all costs (collection costs, court costs, attorney's fees, etc.). However, such penalties and costs shall not be treated as an assessment that may become a prejudgment lien enforceable by Civil Code Section 2924.
- (e) All procedures relating to the imposition of any penalties or discipline for violation of any provision in the Governing Documents shall, at minimum, comply with Civil Code Section 1363 and Corporations Code Section 7341.

## **ARTICLE VIII**

### **Association's Books and Records: Rights to Inspection**

#### **8.01 Books and Records of the Association.**

- (a) The Board of Directors of the Association shall comply with all current requirements of California Civil Code Sections 1365, 1365.2, 1365.5 and 1368, or successor statutes pertaining to financial records and Governing Documents. Any amendment to those sections shall automatically amend this section to conform to those Legislative amendments.

- (b) **"Association Records"** means all of the following, as provided in section 1365.2(a) of the California Civil Code or any successor statute:
- (1) Any financial document required to be provided to a member by Civil Code Section 1365 or any successor statute, including the pro forma operating budget, a review of the financial statement of the Association, a statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments, and a summary of the Association's insurance policies, as set forth in that section.
  - (2) Any financial document or statement specified in Civil Code Section 1368 or any successor statute, including the following as set forth in that section:
    - (A) Copy of the governing documents, declaration of covenants, conditions and restrictions, bylaws, operating rules, and the Association's articles of incorporation.
    - (B) If there is a restriction in the governing documents limiting the occupancy, residency, or use of a separate interest on the basis of age in a manner different from that provided in Civil Code Section 51.3, a statement that the restriction is only enforceable to the extent permitted by Civil Code Section 51.3 and a statement specifying the applicable provisions of Civil Code Section 51.3.
    - (C) Statement as to the amount of the Association's current regular and special assessments and fees, including future changes there.
    - (D) Statement of fees, assessments and notices applicable to a particular owner.
    - (E) Disclosure of construction defects as set forth in Civil Code section 1375, and of any settlement agreement as set forth in Civil Code section 1375.1, or any successor statutes.
  - (3) Interim unaudited financial statements.
  - (4) Executed contracts not otherwise privileged under law.
  - (5) Written board approval of vendor or contractor proposals or invoices.
  - (6) State and federal tax returns.
  - (7) Reserve account balances and records of payments made from reserve accounts.
  - (8) Agendas and minutes of meetings of the members, the board of directors and any committees appointed by the board of directors; excluding, however, agendas, minutes, and other information from executive sessions of the board of directors as described in Section 1363.05.
  - (9) Membership lists, as described in section 1365.2(1)(I).
  - (10) Check registers.
- (c) **"Enhanced Association records"** means invoices, receipts and canceled checks for payments made by the Association, purchase orders approved by the Association, credit card statements for credit cards issued in the name of the association, statements for services rendered, and reimbursement requests submitted to the association, provided that the person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request.

- (d) The Association shall make available at the Association's business office within the Project or other agreed location, for inspection and copying by a member or the member's representative, Association records and enhanced Association records for the current year and two prior fiscal years. Current records shall be made available within 10 business days after request, earlier records within 30 calendar days after request. Minutes or draft minutes of member or board meetings shall be made available within 30 days after the meeting and shall be permanently available. Minutes or draft minutes of meetings of any committee having decision-making authority shall be made available within 15 calendar days after approval and shall be permanently available. Membership lists shall be made available within 10 days of request or 10 days, or as specified by Corporations Code section 8330.
- (e) The Association may bill the requesting member for the direct and actual cost of copying requested documents, including an amount not more than ten dollars (\$10) an hour or two hundred dollars (\$200) total for the time actually and reasonably involved in redacting the enhanced Association records. Before the requested documents are copied and retrieved, the Association shall inform the member of the amount of the copying costs and the member shall agree to pay those costs. The requesting party may elect to receive specified documents in electronic or machine-readable storage media as long as the form of storage or transmission does not permit alteration of the record.
- (f) The Association may redact personal information from the records provided, according to Civil Code Section 1363.2(d) or any successor statute.
- (g) The Association shall not be liable for failure to retain records created prior to January 1, 2006.
- (h) Owners shall annually be provided a summary of the provisions of Section 1354, as set forth therein, which must include the following language: "Failure by any member of the Association to comply with the prefiling requirements of Section 1354 of the Civil Code may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the Governing Documents". This summary shall be provided either at the time of distribution of the pro forma budget required by Section 1365, or in the manner specified in Section 5016 of the Corporations Code.
- (i) Every Director shall have the absolute right, at any reasonable time, to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make copies of documents.
- (j) In addition to the foregoing, for a period of ten (10) years after the close of escrow for the sale of the last Unit in the Project covered by a Final Subdivision Public Report, Declarant shall have the same rights as Members under this Section to inspect, examine and audit the books of the Association.
- (k) No officer, director, employee, agent or volunteer of the Association, nor the Association itself, shall be liable for damages to a Member or to any third party as the result of identity theft or other breach of privacy because of the failure to withhold or to redact that member's information under this section or under Civil Code Section 1365.2, unless such failure was intentional, willful or negligent.

## ARTICLE IX

### **Indemnification and Liability**

#### **9.01 Liability of the Board and Officers.**

Pursuant to Corporations Code Sections 7231 and 7231.5, and Civil Code Section 1365.7, however subject to any amendments thereto, to the fullest extent permitted by law, no member of the Board, or any other committee of the Association, or any officer of the Association, or Declarant shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence or the like of the Association, the Board, or any other representative or employee of the Association, Declarant, or any officer of the Association, or of Declarant, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, and without willful or intentional misconduct, and within which such person reasonably believed to be the scope of his/her duties.

#### **9.02 Indemnification of Agents.**

The Association shall indemnify any present or former director, officer, employee or other agent of the Association to the fullest extent authorized under California Corporations Code Section 7237, or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was entitled to indemnification under this provision.

## ARTICLE X

### **Miscellaneous**

#### **10.01 Checks, Drafts, etc.**

Only person(s) authorized by the Board may sign all checks, drafts and other orders for payment, or evidence of indebtedness regarding the Association. Notwithstanding the foregoing, any withdrawal of funds from the reserve accounts shall require the signature of two (2) Directors.

#### **10.02 Conflicts.**

- (a) In case of conflict between the Declaration and these Bylaws, the Declaration will control.
- (b) In case of conflict between these Bylaws and any applicable State of California law or statute, the law or statute will control.

#### **10.03 Notices.**

Unless otherwise specified, giving of all notices shall conform to the provision specified for notices in the Declaration.

## ARTICLE XI

### Amendments

#### 11.01 Amendments.

- (a) The Association may amend these Bylaws as follows:
  - (1) Before the first Close of Escrow, Declarant may unilaterally amend these Bylaws.
  - (2) After the First Close of Escrow.
    - (A) If there is only one membership class, approval by a majority of the total voting power of the Association and a majority of votes other than the Declarant; or
    - (B) If Class B membership exists, approval by a majority of the total voting power of each class of membership.
- (b) Amendment of the Bylaws requires that two officers certifying that it has been approved by the required vote sign it.
- (c) The specified percentage of members necessary to amend a specific section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that section or provision.
- (d) No amendments to these Bylaws or other Governing Documents that specifically benefit the Declarant as Developer shall be made without the written consent of the Declarant.
- (e) If a first mortgagee who receives a written request from the Board to approve a proposed amendment(s) does not return a negative response within thirty (30) days, the first mortgagee will be deemed to have approved the amendment(s).
- (f) Prior written approval of beneficiaries of at least fifty-one (51%) of all first Mortgages on Condominiums must be secured before any amendment to the provisions of these Bylaws affecting the Section in the Declaration entitled "Restrictions on Certain Changes" may take effect, and this sentence may not be amended without such prior written approval.



**I, THE UNDERSIGNED SECRETARY**, certify that the foregoing Bylaws have been approved by a majority of the members of the Association.

X \_\_\_\_\_  
By:  
ASSOCIATION SECRETARY

**END**