

2016 AMENDED AND RESTATED

**BYLAWS**

OF

**SEVEN HILLS  
PROPERTY OWNERS  
ASSOCIATION**





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## **ARTICLE I NAME AND LOCATION**

The name of the corporation is Seven Hills Property Owners Association, hereinafter referred to as the Association. The principal office of the Association shall be located in the County of Riverside, California.

## **ARTICLE II DEFINITIONS**

The definitions contained in the Declaration are incorporated herein by reference.

**2.1 "Declaration"** shall mean and refer to the 2013 Amended and Restated Declaration of Covenants, Conditions and Restrictions applicable to the property and subsequent amendments thereto.

**2.2 "Majority of a Quorum"** means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in **Section 3.5**.

**2.3 "Voting Power"** means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time said matter is submitted to the Members.

## **ARTICLE III MEETING OF MEMBERS AND VOTING**

**3.1 Annual Meetings.** Regular annual meetings of the Association shall be held the first week in November at a time designated by the Board. A semi-annual meeting shall be held the first week of May at a time designated by the Board.

**3.2 Special Meetings.** Special meetings of the members shall be called at any time by a majority of the Board, or by the president, or upon written request of the Members representing five percent (5%) of the total voting power of the Association.

**3.3 Recreation Center.** Early in January of each calendar year, the President of the Board of Directors shall be responsible for contacting and reserving the Recreation Center for both the Annual and Semi-Annual Meetings for the calendar year. Should a date the first week of May and/or November be unavailable, then the President shall have the authority to reserve the Recreation Center for the first available date in both May and November.

**3.4 Notice and Place of Meetings.** Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary by delivering a copy of such notice at least twenty

(20) but not more than ninety (90) days before such meeting to all Members, to each Member's residence or to the Member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. If notice is mailed, it shall be sent by first class mail, postage prepaid. Notice pursuant to this Section may also be given to Members by e-mail if authorized by Members on an individual basis, in writing, on a form provided by the Association. Such notice shall specify the place, day and hour of the meeting, along with those matters the Board intends to present for action by the Members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. Except as otherwise provided by law, Members at special meetings may only act on those matters which have been listed in the meeting's notice.

If action is proposed to be taken at any meeting for approval for any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s): (a) removing a director without cause; (b) filling vacancies in the Board by the members; (c) amending the Articles of Incorporation; (d) approving a contract or transaction in which a director has a material financial interest. Meetings shall be held within the Project or at a meeting place within the same County, as close to the Project as possible.

### **3.5 Quorum Requirements**

**3.5.1 Quorum Requirements Generally.** The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Section 3.8 of these Bylaws:

**3.5.1.1 Quorum for Valid Action on Association Matters.** In the case of a membership meeting or written ballot, the quorum shall be one hundred (100) Members eligible to vote. Ballots received per **Section 12.1**, herein, shall be treated as a Member present for purposes of establishing a quorum;

**3.5.1.2 Reduction in Quorum Percentage for Action on General Matters.** If the minimum quorum percentage specified in Section 3.5.1.1 above is not satisfied, the meeting may be adjourned to another time or place not less than forty-eight (48) hours nor more than thirty (30) days after the initial meeting date, and at the reconvened meeting the quorum percentage shall be reduced to seventy-five (75) Members. Matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting;

**3.5.1.3 Quorum for Votes on Assessment Increases and of Removal of Directors From Office.** In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring Member approval or removal of any director from office, the quorum requirement for valid action on the proposal shall be the one hundred (100) Members which shall not be subject to reduction under **Section 3.5.1.2**.

**3.5.2 Members Represented.** Members present at a membership meeting shall be counted toward satisfaction of the quorum requirements specified herein.

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

**3.6 Membership and Voting.** Membership shall be held as provided in the Declaration. The Members shall be Owners and shall be entitled to one (1) vote per each Lot. Only Members in good standing as more fully defined in **Section 3.7** below shall be entitled to vote. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot. The vote of a majority of votes at a meeting where a quorum is present shall decide any question brought before such meeting, unless the question is one upon which, by the express provision of statute or the Declaration, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control. No proxy voting shall be permitted.

**3.7 Eligibility to Vote.** Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's properly and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to receive notice fifteen (15) days in advance of the effective date of the loss of voting privileges and request such a hearing in accordance with the Declaration.

### **3.8 Action by Written Ballot Without Meeting**

**3.8.1 Definition of Written Ballot.** A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this Section. The "written ballot" described herein is not used in conjunction with an actual meeting of the Members.

**3.8.2 Written Ballots Generally.** Any matter or issue requiring the vote of the Members, other than the election of directors, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written



ballot set forth in this Section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board.

**3.8.3 Content of Written Ballots.** Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

**3.8.4 Balloting Time Requirements.** Written ballots shall be distributed to all eligible Members at least thirty (30) days prior to the deadline for voting. All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may be extended twice, for a reasonable period of time as set by the Board, only if the Board so notifies the Members in the balloting solicitation materials originally sent to Members.

**3.8.5 Requirements for Valid Member Action by Written Ballot.** Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum that would have been required to be present at a membership meeting if such a meeting had been convened to vote on the proposal; and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting. If the time for returning written ballots is extended in accordance with **Section 3.8.4** above, the reduced quorum percentage specified in **Section 3.5.1.2** shall apply during the extension period(s).

**3.8.6 Notification of Results of Balloting Process.** Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within fifteen (15) days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

**3.8.7 Prohibition of Revocation.** Once exercised, a written ballot may not be revoked.

**3.8.8 Conduct of Informational Meetings.** Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

**3.9 Parliamentary Procedure.** Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt.

### **3.10 Adjourned Meeting**

**3.10.1 Adjournment Generally.** Any Members' meeting, annual, semi-annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than forty-five (45) days) by the vote of the majority of Members present at the meeting. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.

**3.10.2 Notice Requirements for Adjourned Meetings.** When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote at such meeting.

## **ARTICLE IV**

### **BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE**

**4.1 In General.** The activities and affairs of this Association shall be administered and overseen by, and the powers of the Association exercised under the direction of a Board of Directors.

**4.2 Number; Qualifications.** The affairs of this Association shall be managed by a Board of seven (7) directors. All directors must be Members of the Association and in good standing. For purposes of qualifying for the Board, "good standing" shall mean a Member that is current in their assessments, has no outstanding fines, penalties or violations, and is not currently an adverse party against the Association in pending litigation, Joint Owners of a Separate interest may not serve on the board concurrently.

**4.3 Term of Office.** The term of office for directors shall be two (2) years. The directors shall serve staggered terms with three (3) or four (4) directors being elected in alternate years. Unless sooner vacated, each director shall hold office until the director's term expires and a successor is elected. At the annual meeting immediately following adoption of this Bylaw amendment increasing the size of the Board to seven members, two additional seats shall be open for election with one of those positions being elected for two years and the other position being elected for one year. Thereafter all directors will be elected for a term of two years.

**4.4 Removal; Vacancies.** Any or all directors may be removed without cause if such removal is approved by the affirmative vote of a majority of the total voting power of the Association, represented and voting at a duly held meeting. In the event of the death or resignation of a director his or her successor shall be filled by approval of the Board at a duly held meeting or by a sole remaining director, and shall serve for the unexpired term of his or her predecessor. The Members may elect a director at any time to fill any vacancy not filled by the directors. A vacancy created by removal of a director can be filled only by election of the Members.

**4.5 Compensation.** No director shall receive compensation for any service he or she may render to the Association. Any director may be reimbursed for his or her actual expenses, if reasonable, incurred in the performance of his or her duties.

**4.6 Indemnification of Officers and Directors.** Each director, officer and committee member shall be indemnified by the Association and the Members against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her by judgment or settlement in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director, officer, or committee member of the Association, except in cases of fraud, gross negligence or bad faith of the director, officer or committee member in the performance of his or her duties.

**4.7 Resignation of Directors.** Except as provided in this paragraph, any director may resign, and such resignation shall be effective on giving written notice to the president, the secretary, or the Board, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

**4.8 Authority of Board to Remove Directors.** The Board shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by a final order or judgment of any court to have breached any duty under California Corporations Code Sections 7233-7236 (relating to the standards of conduct of directors); (iv) fails to attend three (3) unexcused consecutive regular meetings of the Board, or (v) is at any point ninety (90) days or more delinquent in payment of Assessments.

## **ARTICLE V NOMINATION AND ELECTION OF DIRECTORS**

**5.1 Nomination.** Nomination for election to the Board shall be made pursuant to reasonable procedures adopted by the Board from time to time. Provided that the number of candidates on the ballot is less than the number of openings on the Board, nominations may also be made from the floor at the annual meeting. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

**5.2 Election.** The election of the Board shall be conducted at the annual meetings of the Association. At such election the Members may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Members shall not be entitled to cumulate their votes. Voting for directors shall be by written ballot.

## **ARTICLE VI MEETINGS OF DIRECTORS**

### **6.1 Annual and Regular Meetings**

**6.1.1 Annual Meeting of Directors.** In January of each year, the Board shall hold a regular Meeting for the purpose of organization, election of officers, and the transaction of other business.

**6.1.2 Regular Meetings.** Ordinarily, regular Meetings shall be conducted at least monthly, provided, however, regular Meetings can be held as infrequently as every quarter if the Board's business does not justify more frequent meetings. If the Board adopts an annual schedule for the conduct of regular Meetings (such as a schedule that calls for regular Meetings to be held at a specific time and location on the first Wednesday of each month) and that schedule is communicated to all directors at the inception of the year, no further notice of a regular Meeting shall be required unless the date, time, or location for a particular regular Meeting is changed for any reason, in which case, notice shall be provided to all directors in accordance with **Section 6.4**.

**6.2 Special Meetings.** Special Meetings of the Board shall be held when called by written notice signed by the president of the Association, or by any two (2) directors.

**6.3 Emergency Meetings.** An emergency Meeting of the Board may be called by the president of the Association, or by any two members of the governing body other than the president, without providing notice to the Members as set forth herein, if there are circumstances that would not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required herein.

**6.4 Notice of Meetings.** Notice of the time and place of regular and special Board meetings shall be provided to Board members in advance of said meetings. Notice of emergency meetings shall be communicated to all directors in such a manner as is reasonable under the circumstances. Members shall be given notice of the time and place of a meeting, except for an emergency meeting or a meeting that will be held solely in executive session, at least four (4) days prior to the meeting. Notice shall be given by mail to Owners at the address set forth in the Association's records. Notice may also be given by delivery of the notice to each Lot in the development, by newsletter or similar means of communication, or, with the consent of the Member, by electronic means. The notice shall contain the agenda for the meeting.

**6.5 Quorum.** A majority of the directors then in office, not counting vacancies, shall constitute a quorum for the transaction of business. Every act performed or decision 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.

**6.6 Executive Session.** The Board may hold executive session meetings to discuss and vote upon personnel matters, matters that relate to the formation of contracts with third parties, litigation in which the Association is or may become involved, or to meet with a Member regarding the Member's payment of assessments. In any matter relating to the discipline of a Member, the Board shall meet in executive session, and he or she shall be entitled to attend the executive session.

**6.7 Teleconference Meetings.** Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

**6.8 Waiver of Notice.** The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

**6.9 Notice of Adjourned Meeting.** Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of adjournment, and notice shall be given to Members as provided in **Section 6.4**.

**6.10 Meetings Conducted by Electronic Transmissions.** Any action required or permitted to be taken by the Board may be taken without a meeting, if all directors, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

## **6.11 Attendance by Members**

**6.11.1 Meetings Generally Open to Members.** With the exception of executive sessions of the Board (see **Section 6.6**, above) and any meetings conducted by conference telephone (under the circumstances stated in **Section 6.7**, above), any Member of the Association may attend

meetings of the Board, provided, however, that non-director Members may participate in deliberations or discussion of the Board only when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting. For purposes of this **Section 6.11**, the term "meeting includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate on any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

**6.11.2 Right of Members to Speak at Meetings.** The Board shall permit any Member to speak at any meeting of the Members or the Board, except for Board meetings that are held in executive session under Section 6.6 above. The Board or the chairman of the meeting may impose reasonable time limitations on presentations or statements by Members, and, in the case of Board meetings, the agenda for the meeting can designate a specific time limit for Member statements and comments.

**6.11.3 Meeting Agendas; General Restriction of Action to Items on the Agenda.** Any notice of Board meetings that is required by law to be distributed or made available to the Members under Section 6.4 shall include an agenda for the meeting. Except as provided in **Sections 6.11.3.1** through **6.11.3.5** of this **Section 6.11.3** or **Section 6.11.4** below, the Board may not discuss or take action on any item at a non-emergency meeting of the Board unless the item was placed on the agenda that was included in the notice given to the Members. Members who are not on the Board may, however, speak on the issues that are not on the agenda. Notwithstanding the general rule that Board actions must be restricted to items shown on the meeting agenda, a member of the Board, a managing agent or other agent of the Board, or a member of the staff of the Board may do any of the following:

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

**6.11.3.2** Directors, managing agents, and other agents or staff members of the Board may ask a question for clarification, make a brief announcement, or make a brief report on the director's own activities, whether in response to a question posed by a Member or passed on the director's own initiative;

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

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

**6.11.3.5** The Board or any director may direct the Association's agents or staff to perform administrative tasks.

**6.11.4 Authority to Take Action on Certain Items Not on the Published Agenda .** Notwithstanding the general rules that Board actions must be restricted to items on the Board meeting agenda, the Board may take action on any item of business not appearing on the posted meeting agenda under any of the following conditions:

**6.11.4.1** On a determination made by a majority of the Board present at the meeting that an emergency situation exists. An emergency situation exists if there are circumstances that could not have been reasonably foreseen by the Board, that require immediate attention and possible action by the Board; and that, of necessity, make it impracticable to provide notice;

**6.11.4.2** On a determination made by the Board by a majority vote of the members of the Board who are present at the meeting that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda for the meeting was posted and distributed to the Members; or

**6.11.4.3** The item appeared on an agenda that was posted and distributed to the Members for a prior Board meeting that occurred not more than thirty (30) calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action is taken. Before discussing any item under this **Section 6.11.4**, the Board shall openly identify the item to the Members in attendance at the meeting.

**6.11.5 Board Meeting Minutes.** The minutes of any Board meeting, any executive session or committee meeting, shall be available to the Members in accordance with California Corporations Code Sections 8320 and 8330.

## **ARTICLE VII POWER AND DUTIES OF THE BOARD OF DIRECTORS**

**7.1 Powers and Duties.** The Board shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration of the Property and may do all such acts and things as are not prohibited by the Governing Documents. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall have the power to and be responsible for the following, by way of illustration, but not limitation:

**7.1.1 Powers of Nonprofit Corporation.** Exercise all powers vested in the Association as a California nonprofit corporation.



**7.1.2 Appointment of Agents and Employees.** Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

**7.1.3 Insurance.** Contract for and pay premiums for director and officer liability insurance and other insurance and bonds (including indemnity bonds) which may be required from time to time by the Association.

**7.1.4 Contracts.** Contract for and pay for materials, supplies, labor and services that may be required from time to time for the Association's business.

**7.1.5 Payment of Taxes.** Pay all taxes, and charges incurred by the Association.

**7.1.6 Financial Report.** Publish and distribute an annual financial report to the Members.

**7.1.7 Entry for Maintenance.** Enter Lots as necessary subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Property.

**7.1.8 Annual Budget.** Prepare and adopt an annual budget, in which there shall be established the contribution of each Member to the common expenses.

**7.1.9 Assessments.** Make assessments to defray the common expenses, as more fully set forth in the Declaration.

**7.1.10 Collection of Assessments.** Collect the assessments, deposit the proceeds thereof in a bank depository which it shall approve and using the proceeds to administer the Association.

**7.1.11 Bank Accounts.** Open bank accounts on behalf of the Association and designate the signatories required.

**7.1.12 Accounting Books.** Keep books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. All books and records shall be kept in accordance with generally accepted accounting packages.

**7.1.13 Personnel.** Designate, hire, and dismiss the personnel necessary for the operation of the Association and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties.



**7.1.14 Rules and Regulations.** Adopt and publish rules and regulations governing the use of the Property and Lots, and the personal conduct of the Owners and their guests thereon, and to establish and impose monetary penalties, temporary suspensions of an Owner's rights as a Member or other appropriate discipline for the infractions thereof or for violations of provisions of Governing Documents, all as more fully set forth in **Section 7.4** of these Bylaws, and **Section 5.5** and Article X of the Declaration.

**7.1.15 Acquisition and Disposition of Property.** The Association shall have the power to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real or personal property in connection with the affairs of the Association.

**7.1.16 Prosecution and Defense of Lawsuits.** The Board has the authority to prosecute or defend, in the name of the Association any action in which all or substantially all of the Owners have an interest.

**7.2 Borrowing and Expenditures.** The Board shall have the authority to borrow money on behalf of the Association and to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for the money borrowed or debts incurred so long as the vote or written consent of a majority of those voting of the Association where a quorum is represented has been obtained.

**7.3 Delegation.** The Board has the power to delegate its authority and powers to committees, officers or employees of the Association or to a manager employed by the Association. The Board may not delegate to any non-board member the authority to conduct hearings concerning compliance by an owner or his or her tenant, lessee, guest or invitee with the Declaration or rules and regulations promulgated by the Board, or to make a decision to levy monetary fines, impose Special Assessments against Lots, temporarily suspend an Owner's rights as a Member of the Association or otherwise impose discipline following any such hearing; to make a decision to levy Annual or Special Assessments; or to make a decision to bring suit or record a Notice of Delinquent Fees for default in payment of Assessments in accordance with **Section 4.9** of the Declaration.

**7.4 Procedure for Disciplinary Action.** In addition to the general powers of enforcement as described in the Declaration, the Association may discipline its Members for violation of any of the provisions of the Governing Documents or Association Rules by suspending the violators' voting rights, privileges and/or by imposing monetary penalties for such violations as long as the Association complies with the following procedure prior to imposition of discipline:

**7.4.1** When the Board is to meet and consider or impose discipline upon a Member, the Board shall notify the Member, in writing, by either personal delivery or first class mail, at least ten (10) days prior to the meeting.

**7.4.2** The notification shall contain, at a minimum, the date, time and place of meeting, the nature of the alleged violation for which a Member may be disciplined, and a statement that the Member has a right to attend and may address the Board at the meeting.

**7.4.3** If the Board imposes discipline on a Member, the Board shall provide a notification of the disciplinary action by either personal delivery or first class mail to the Member within thirty (30) days following the action. A disciplinary action shall not be effective against a Member unless the Board fulfills the requirements of this Section.

**7.5 Limitation on Board Liability.** Directors, officers, committee members, employees, or other agents of the Association have limited liability as more fully set forth in Section 5.4 of the Declaration.

## **ARTICLE VIII OFFICERS AND THEIR DUTIES**

**8.1 Enumeration of Officers.** The officers of this Association shall be a president and vice-president who shall at all times be members of the Board, a secretary a treasurer, and such other officers as the Board may from time to time create by resolution.

**8.2 Election of Officers.** The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

**8.3 Term.** The officers of this Association shall be elected annually by the Board each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

**8.4 Special Appointments.** The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

**8.5 Resignation and Removal.** Any officer may be removed from office (but not from the Board, if he or she is also a Board member) by the Board with or without cause. 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.

**8.6 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.

**8.7 Duties.** The duties of the officers are as follows:

**8.7.1 President.** The president shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. He or she shall have the general powers and duties of management usually vested in the office of the president of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

**8.7.2 Vice-President.** The vice-president shall act in the place and stead of the president in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.

**8.7.3 Secretary.** The secretary shall record or cause to be recorded the votes and keep or cause to be kept the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with the addresses; and shall perform such other duties as required by the Board.

**8.7.4 Treasurer.** The treasurer shall oversee receipt and deposit of funds in appropriate bank accounts of the Association and disbursements as directed by resolution of the Board; shall sign all promissory notes of the Association; shall oversee proper books of account; shall oversee preparation and distribution of an annual financial report to each member as set forth in **Article IX**.

**8.8 Agreements, Contracts, Deeds, Leases, etc.** All agreements, contracts, deeds, leases, promissory notes and other instruments of the Association shall be executed by the president or by such other person or persons as may be designated by resolution of the Board.

## **ARTICLE IX ANNUAL FINANCIAL REPORT**

**9.1 Year-End Report.** Within one hundred-twenty (120) days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members: a balance sheet as of the end of the fiscal year, an operating (income) statement for the fiscal year, a statement of changes in financial position for the fiscal year, a statement advising Members of the place where the names and addresses of the current Members are located, and any information required to be reported under California Corporations Code Section 8322 requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any director or officer of the Association and indemnifications and advances to officers or directors in excess of \$10,000 per year.

A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not reviewed by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without an audit from the books and records of the Association.

**9.2 Review of Operating and Reserve Accounts.** The Board of Directors of the Association shall review all of the following:

**9.2.1** a current reconciliation of the Association's operating accounts on at least a quarterly basis.

**9.2.2** a current reconciliation of the Association's reserve accounts on at least a quarterly basis.

**9.2.3** on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.

**9.2.4** the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.

**9.2.5** an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

**9.2.6** the reserve study annually and consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

## **ARTICLE X COMMITTEES**

The Board may appoint committees as deemed appropriate in carrying out its purpose. No committee, regardless of Board resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California, also require members' approval; (b) fill vacancies on the Board or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board; (e) appoint any other committees of the Board or the members of those committees; (f) approve any transaction to which the Association is a party and in which one (1) or more directors have a material financial interest.

## **ARTICLE XI BOOKS AND RECORDS**

### **11.1 Members Inspection Rights**

**11.1.1 Scope of Members' Inspection Rights.** All accounting books and records, minutes of proceedings of the Members, the Board, and committees of the Board, and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member in accordance with the requirements and restrictions set forth in California Corporations Code Section 8330. The Member who desires to inspect those documents must submit a written request for inspection to the Association and that request must state a reason for the requested inspection that is reasonably related to the Member's interests in the Association. The accounting books and records and the minutes of proceedings of the Association, and any information contained in those records, may not be used or sold for a commercial purpose or used for any other purpose that is not reasonably related to a Member's interests as a Member.

The following additional rules and restrictions shall apply to Member inspection demands:

**11.1.1.1 Membership Lists.** The Association has the right, within ten (10) business days after receiving a demand for inspection and/or copying the Association's membership list, to deliver to the person or persons making the demand a written offer of an alternative method of achieving the purpose identified in the Members' demand without providing access to or a copy of the membership list itself. In addition, if the Association reasonably believes that the membership information will be used for a purpose other than the purpose stated by the requesting Member(s), or when the Association provides a reasonable alternative to access to the list, the requesting Members may be denied access to the list. Prohibited uses of membership lists are set forth in California Corporations Code Section 8338.

**11.1.1.2 Copying of Records by Association.** If the Association agrees to make copies of requested information that is within the Members' rights of inspection, the Association is entitled to bill the requesting Member(s) a reasonable charge for copying and mailing the requested documents. The Association must inform the Member(s) of the amount of the reasonable charge before sending the requested documents.

**11.1.1.3 Prohibited Uses of Records.** The accounting books and records and the minutes of proceedings of the Association, and any information derived from those books, records, and minutes, may not be sold, used for a commercial purpose, or used for any other purpose that is not reasonably related to the requesting Member(s)' interest as a Member of the Association. Under California Corporations Code Section 8331 the Association has the right to seek injunctive relief and actual damages for any violation of these restrictions on the use of Association information and records, and, if successful, to obtain an award of its reasonable costs of suit, including reasonable attorney fees.

**11.2 Director Inspection Rights.** Every director shall have an absolute right at any reasonable time to inspect all books, records, documents, and minutes of the Association and the physical properties, if any, owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents. All directors should consider their fiduciary obligations to act in good faith and in a manner they believe to be in the best interests of the Association in deciding how to use or disseminate information obtained through exercise of their inspection rights.

**11.3 Adoption of Reasonable Inspection Rules.** The Board may establish reasonable rules with respect to (a) notice of inspection; (b) hours and days of the week when inspection may be made; and (c) payment of the cost of reproducing copies of documents requested by the Member.

## **ARTICLE XII MEETING AND ELECTION VOTE PROCEDURES; BALLOTS**

**12.1 Election and Meeting Requirements, Generally.** Notwithstanding any other law or provision of the Governing Documents, elections regarding election and removal of members of the Board or amendments to the Governing Documents shall be held by written ballot in accordance with the procedures set forth in this Article. A quorum shall be required only if so stated in the Governing Documents or other provisions of law. If a quorum is required by the Governing Documents, each ballot received by the inspector of elections shall be treated as a Member present at a meeting for purposes of establishing a quorum.

**12.2 Adoption of Election and Meeting Rules.** The Association may adopt election and meeting rules.

**12.3 Inspectors of Election.** The Association shall select an independent third party or parties as an inspector of election. The number of inspectors of election shall be one (1) or three (3). For the purposes of this Section, an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a Member of the Association, but may not be a member of the Board or a candidate for the Board or related to a member of the Board. An independent third party may not be a person, business entity, or subdivision of a business entity, who is currently employed or under contract to the Association for any compensable services unless expressly authorized by rules of the Association adopted pursuant to **Section 12.2**.

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 (3) 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.

**12.3.1 Powers of Inspectors.** The inspector or inspectors of election shall do all of the following: (A) Determine the number of memberships entitled to vote and the voting power of each. (B) Receive ballots. The sealed ballots at all times shall be in the custody of the inspector or inspectors of election or at a location designated by the inspector or inspectors until after the tabulation of the vote, at which time custody shall be transferred to the Association. (C) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote. (D) Count and tabulate all votes. All votes shall be counted and tabulated by the inspector or inspectors of election, or his or her designee, in public at a properly noticed open meeting of the Board or Members. Any candidate or other Member of the Association may witness the counting and tabulation of the votes. (E) Determine when the polls shall close, consistent with the Governing Documents. (F) Determine the tabulated result of the election. The results of the election shall be promptly reported to the Board of the Association and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Association. (G) Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with this Section, the Corporations Code, and all applicable rules of the Association regarding the conduct of the election that are not in conflict with this Section.

**12.4 In-Meeting and Election Ballots.** Ballots and a pre-addressed envelope shall be mailed by first-class mail or personally delivered by the Association to every Member not less than thirty (30) days prior to the deadline for voting. On his or her ballot, each voter shall sign his or her name, print his or her name, and indicate the address or separate interest identifier that entitles him or her to vote. Unsigned ballots will not be counted. The envelope may be mailed or delivered by hand to a location specified by the inspector or inspectors of election.

No person shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated. The inspector of elections, or his or her designee, may verify the Member's information and signature at meeting at which ballots are tabulated. Once a ballot is received by the inspector of elections, it shall be irrevocable.

**12.5 Announcement of Results.** The tabulated results of the election shall be promptly reported to the Board and shall be recorded in the minutes of the next Board Meeting and shall be available for review by Members. Within thirty (30) days of the election, the Board shall publicize the tabulated results of an election in a communication directed to all Members.

**12.6 Election and Meeting Materials.** The sealed ballots at all times shall be in the custody of the inspector or inspectors of election or at a location designated by the inspector or inspectors until after the tabulation of the vote, and until the time allowed by California Corporations Code Section 7527 for challenging the election has expired, at which time custody shall be transferred to the Association. After the transfer of the ballots to the Association, the ballots shall be stored by the Association in a secure place for no less than one (1) year after the date of the election. If there is a recount or other challenge to the election process, the inspector or inspectors of elections shall, upon written request, make the ballots available for inspection and review by a Member or his or her authorized representative. 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.

**12.7 Necessity of Meeting.** Except for the meeting to count the votes as required in this Article, a vote on the matters covered by this Article may be conducted entirely by mail, unless otherwise specified in the Governing Documents or by applicable law.

### **ARTICLE XIII AMENDMENTS**

**13.1 Procedure.** These Bylaws may be amended only by the affirmative vote or written consent of Members representing a Majority of a Quorum of the Association. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

**13.2 Conflict Between Documents.** In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with the provisions of the California Mutual Benefit Nonprofit Corporations Law, or other applicable law, the provisions of said statutes shall control.