

BOARD OF DIRECTORS
The Palace at Washington Square Owners Association

Proposed Bylaw and CC&Rs Amendments

October 10, 2025

Dear Homeowner:

Enclosed is your Ballot to vote on (1) a proposed First Amended and Restated Bylaws of The Palace at Washington Square Owners Association ("**Bylaws Restatement**") and (2) a proposed First Amendment to our Association's Declaration of Restrictions ("**CC&Rs Amendment**"). Also enclosed are copies of the proposed Bylaws Restatement and CC&Rs Amendment. Please review and submit your vote pursuant to the instructions and before the deadline as listed on the enclosed Ballot.

Bylaws Restatement & CC&Rs Amendment

The Association's current Bylaws are out of date with current legal requirements and do not adequately address many important subjects. The proposed Bylaws Restatement address the deficiencies in the current Bylaws as well as bring them up to current legal standards and also include several changes requested by the Board to allow the Association to operate more efficiently.

The enclosed proposed CC&Rs Amendment is intended to remove the cost center term and separate budgeting requirements under our CC&Rs. This has become an issue in recent years, especially when the Board of Directors has attempted to hire new management and complete the Association's budget. By removing the term, we hope to position the Association in a better light when negotiating with management companies for their services. The costs associated with each cost center and its allocations to the respective units are not being changed and will still remain the same.

Member Approval Requirements

The two ballot measures have two different member approval requirements.

To approve the proposed **Bylaws Restatement**, the Association must collect "FOR" votes from a majority of the voting power of the Members of the Association. With 20 Units in the Association, our total voting power is 20; thus, **at least 11 votes** must be in favor of the proposed Bylaws Restatement.

To approve the proposed **CC&Rs Amendment**, the Association must collect "FOR" votes from two-thirds (2/3) of the total voting power of the Association. With 20 Units in the Association, our total voting power is 20; thus, **at least 14 votes** must be in favor of the proposed CC&Rs Amendment.

[\(Continued on following page\)](#)

Voting Process

The voting is being conducted by mail using the secret ballot and “double envelope” system. Your ballot and the return envelope are enclosed. Voting instructions are on the ballot.

Your vote is very important. Please take the time right now to vote on these important amendments. If you have any questions about the Bylaws or CC&Rs Amendments before you vote, please feel free to contact the Association’s manager, Christy Masterosn, cmasterson@actionlife.com.

PLEASE SUBMIT YOUR VOTE BEFORE THE DEADLINE ON THE BALLOT.

Thank you for your time and attention to this matter.

Sincerely,

Board of Directors

THE PALACE AT WASHINGTON SQUARE OWNERS ASSOCIATION

BALLOT

To vote on the proposed two issues as described in
the Notice to Members dated October 10, 2025

1. First Amended and Restated Bylaws of The Palace at Washington Square Owners Association

FOR [] AGAINST []

2. First Amendment to The Palace at Washington Square Declaration of Restrictions (CC&Rs)

FOR [] AGAINST []

VOTING INSTRUCTIONS: ☐ Mark your votes above. ☐ Place this ballot in the smaller "inside envelope." ☐ Place the smaller envelope inside the larger return envelope. ☐ Fill in your return address information. ☐ Sign the envelope where provided. ☐ Affix first-class postage.

The Palace at Washington Square Owners Association
"Inspector(s) of Elections"
c/o The HOA Election Guys
27472 Portola Pkwy #205-412
Foothill Ranch, CA 92610

Or, you may hand deliver your ballot to the Inspector(s) of Elections, in the envelopes provided, at the above address.

DO NOT INCLUDE ANY OTHER CORRESPONDENCE WITH THIS BALLOT

The deadline for returning ballots is 5 p.m. on December 15, 2025.

The above ballot return deadline may be extended.

The rules governing this election may be found here:
TheHOAElectionGuys.com/washingtonsq

PLEASE CAST YOUR BALLOT NOW

BALLOT PACKAGE

**RECORDING REQUESTED BY
AND
WHEN RECORDED MAIL TO:**

The Palace at Washington Square Owners
Association
c/o

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

FIRST AMENDMENT TO THE PALACE AT WASHINGTON SQUARE DECLARATION OF RESTRICTIONS (CC&Rs)

NOTICE

If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code by submitting a "Restrictive Covenant Modification" form, together with a copy of the attached document with the unlawful provision redacted to the county recorder's office. The "Restrictive Covenant Modification" form can be obtained from the county recorder's office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

FIRST AMENDMENT TO THE PALACE AT WASHINGTON SQUARE DECLARATION OF RESTRICTIONS (CC&Rs)

This First Amendment to The Palace at Washington Square Declaration of Restriction (CC&Rs) (the “First Amendment”) is made on the date set forth at the end of this document by THE PALACE AT WASHINGTON SQUARE OWNERS ASSOCIATION, a California nonprofit mutual benefit corporation (referred to in this document as the “Association”).

WHEREAS, this First Amendment is made with respect to that certain THE PALACE AT WASHINGTON SQUARE DECLARATION OF RESTRICTIONS (CC&Rs), recorded on June 27, 2018, as Document No. 2018-K632984-00, in the Official Records of the City and County of San Francisco, State of California (the “Declaration”);

WHEREAS, the Declaration establishes certain limitations, easements, covenants, restrictions, conditions, liens, and charges which run with, and are binding upon all parties having or acquiring any right, title, or interest in, that certain real property located in the City and County of San Francisco, State of California, and more particularly described as follows:

Being all that certain Real Property in the City and County of San Francisco, State of California, Shown on that certain map entitled “Final Map No. 9299, a Nineteen (19) Residential Unit and One (1) Commercial Unit Mixed Use Condominium Project” filed in the records of the City and County of San Francisco, California on May 24, 2018 in Book 134 of the Condominium Maps at pages 73 through 75 Inclusive, in the Office of the Recorder of the City and County of San Francisco, State of California.

WHEREAS, all of the covenants, conditions, and restrictions set forth herein shall constitute enforceable equitable servitudes as provided in *Civil Code* section 5975, shall constitute covenants that shall run with the said real property, and shall be binding upon and inure to the benefit of each Owner of any portion of the said real property or the owner or holder of any interest or estate therein and their heirs, successors, and assigns; and

WHEREAS, the Members of the Association, by requisite vote, desire to amend the Declaration pursuant to Article 11, Section 11.2 (“Amendment After Close of First Sale.”), thereof.

NOW, THEREFORE, the Association hereby declares that notwithstanding anything to the contrary in the Declaration, the Declaration is hereby amended as follows (words with

a strike through (e.g. ~~example~~) are deleted and words in bold italics (e.g., ***example***) are added):

1. Article 1, Section 1.18 ("Cost Center."), is hereby deleted in its entirety and amended as follows:

1.18 ~~Cost Center. A cost center designation by the Declarant consisting of a discrete number of Condominiums that receive special benefits from certain services rendered by the Association and/or from certain Improvements maintained by the Association and established for the purpose of allocating the costs to provide the special benefits to the Condominiums that received the special benefits as described in **Section 6.9**. The Declarant reserves the right to amend this Declaration and establish Cost Centers as described in **Section 11.7**.~~ ***Intentionally Omitted.***

2. Article 4, Section 4.3.2 ("Exclusive Use Common Area") is hereby amended as follows:

4.3.2 Exclusive Use Common Area. Subject to applicable ***budgeted amounts and allocation as*** ~~cost centers~~ described in **Section 6.9**, the Association shall be responsible for maintaining structural components, railings, and waterproof membrane or similar membrane within the Exclusive Use Common Area balconies, decks and roof deck appurtenant to an Owner's Condominium. If the Association must remove any surface materials, such as brick or tile, the Owner shall reimburse the Association for the cost to remove and replace the materials. The Owner shall also perform the balcony and deck maintenance described in **Sections 4.1.1, 4.1.2, and 4.2.1**.

3. Article 6, Section 6.9 ("Allocation of Regular and Special Assessments."), is hereby amended as follows:

6.9 Allocation of Regular and Special Assessments. Regular and Special Assessments shall be levied by the Board consistent with the ***budgeted amounts*** ~~s/cost centers~~ described in **Sections 6.9.1 through 6.9.7**. Each ***budgeted amount*** ~~cost center~~ may contain equal assessments and prorated assessments allocated among the affected Condominiums as described in the pro forma operating budgets submitted to and reviewed by the BRE as a part of the Declarant's application for final subdivision public report (the "BRE Budgets"). The prorations in the BRE Budgets are based on the estimated square footages of the Units as set forth in **Exhibit D**. The square footage amounts in **Exhibit D** are estimates only and were derived from plans and not actual measurements of the Units. The actual square footage of each Unit may differ. If there is any conflict between the square footage amounts in **Exhibit D** and the actual square footage amounts; the square footage amount in **Exhibit D** shall control for purposes of allocating the prorated items in order to maintain a stable, reliable and constant proration schedule. If any prorated item, is

replaced with an equivalent prorated item it shall be allocated in the same manner as the replaced prorated item. If any new items are added, the Board, in its sole discretion, shall determine whether the costs to maintain the item should be allocated equally among the Residential and/or Commercial Condominiums or prorated in accordance with the method described herein.

~~The Owners of Condominiums that are part of a Cost Center may appoint an advisory committee to consult with the Board regarding the Cost Center, including, to the extent applicable, the type of maintenance, the timing of maintenance, and the party performing the maintenance. The members to the advisory committee may be appointed by vote of a majority of the Owners within the Cost Center with each Condominium having one vote. A minimum of twenty-five percent (25%) of the total votes allocated to the Condominiums within the Cost Center must be cast for a valid vote to occur. The Board shall exercise good faith in consulting with the advisory committee but the final decision shall rest with the Board. Cost Center funds may be used only for the purposes for which they were intended and not as general Association funds. The Board shall provide for a separate account of the Cost Center funds that are collected and expended on behalf of the Cost Center and for an annual review and disclosure of Cost Center reserves and reserve study. Cost Center costs shall be allocated equally among the Condominiums within the Cost Center unless the Cost Center notice provides for a prorated allocation. If any maintenance is needed because of any Owner's or Occupant's or their Permittee's act or omission, the Owner of that Condominium shall be responsible for the maintenance costs.~~

~~Notwithstanding the foregoing, the Declarant may establish additional Cost Centers so that costs for services rendered by the Association that specifically benefit certain Condominiums shall be allocated only among those Condominiums. If a Cost Center is established, notice of the Cost Center shall be recorded in the records of the City and County of San Francisco, California, in an amendment to this Declaration under the authority of **Section 11.7**. The notice shall identify the Condominiums within the Cost Center, the Cost Center's purpose, the allocation of the Cost Center costs among the Condominium within the Cost Center if the allocation is not equal, and other relative information.~~

Water provided to each Residential Condominium is under a common meter or meters. Declarant has installed submeters and/or flow meters so that individual water usage by each Condominium may be measured. The cost for providing the water will be paid by the Association. The Association has or will enter into an agreement with a third-party provider to read the submeters, allocate the costs based on usage, and bill each Residential Condominium Owner individually for that Owner's prorated share of the costs incurred by the Association for domestic water. Each Residential Condominium Owner shall be required to pay the Association for the Owner's share plus a service charge.

The Association will thereupon remit the payment to the water company. If any Owner fails to pay the Owner's share in a timely and proper manner and the Association pays the delinquent amount to cover the shortfall, the Board shall levy a reimbursement assessment against the Owner's Condominium and enforce the assessment as described in **Section 6.10**. The Board has the authority to revise and/or terminate the submetering program and payment procedures. If terminated, the cost for water shall be prorated among each Condominium based on the proration that the square footage of the Unit bears to the total square footage of all the Units. The cost for Common Area water shall be allocated equally among the Condominiums.

Notwithstanding anything herein to the contrary, if the use of any Condominium, the equipment or facilities maintained in any Condominium or any related reason results in an increase in the Association costs, including, but not limited to, increases in maintenance costs, trash removal costs, commonly-metered utility costs or insurance costs, the Board may allocate the amount of the increase to the Condominium or Condominiums responsible for the increase.

Except as set forth above in this Section 6.9, the Board shall allocate and assess the Regular and Special Assessments as follows ~~Costs relating to the following Cost Centers shall be allocated as follows:~~

6.9.1 General Budget. Certain expenses are allocated to all Condominiums as described in the BRE Budget. The general expenses allocated equally among all Condominiums include, without limitation, administration, general building maintenance, stairwell ST-2, building signage, elevator (garage and first floor), lobbies, and related reserves. The general expenses that are prorated among all Condominiums include, without limitation, insurance premiums, exterior painting, roofing, and related reserves.

6.9.2 Residential **Budgeted Amounts** Cost Center. Certain expenses are allocated only to the Residential Condominiums as described in the BRE Budget. Expenses for items such as roof deck and related amenities, exercise room and equipment, residential trash collection areas, VRC Lift, residential utilities, trash disposal, the Residential Corridor, stairwell ST-1, and reserves for such items shall be prorated only among the Residential Condominiums.

6.9.3 Commercial **Budgeted Amounts** Cost Center. Certain expenses are allocated only to the Commercial Condominium as described in the BRE Budget, including but not limited to the Commercial Corridor, ventilation shafts, grease trap, commercial trash collection area(s), and related reserves.

6.9.4 Garage **Budgeted Amounts** Cost Center. The expenses allocated to the garage as described in the BRE Budget, including costs for general maintenance, auto lifts, custodial, security, utilities, and reserves, shall be

allocated exclusively to the Condominiums that are assigned parking spaces. These costs shall be allocated equally per parking space in the garage.

6.9.5 Bicycle Parking **Budgeted Amounts Cost Center.** The expenses allocated to the bicycle parking spaces as described in the BRE Budget, including costs for general maintenance, lighting and reserves. These costs shall be allocated exclusively to the Condominiums that are assigned bicycle spaces. These costs shall be allocated equally per bicycle space.

6.9.6 Balcony **Budgeted Amounts Cost Center.** The expenses allocated to balcony maintenance, including costs to maintain the structural components, railings, and waterproofing for the balconies and reserves therefor. These costs shall be allocated exclusively to the Residential Condominiums to which the balconies are appurtenant. These costs shall be allocated equally per balcony.

6.9.7 Deck **Budgeted Amounts Cost Center.** The expenses allocated to deck maintenance, including costs to maintain the structure components, railings, and waterproofing for the decks and reserves therefor. These costs shall be allocated exclusively to the Residential Condominiums to which the decks are appurtenant and shall be prorated based on deck square footage as shown on **Exhibit D.**

4. Article 11, Section 11.7 ("Cost Centers."), is hereby deleted in its entirety and amended as follows:

11.7 ~~Cost Centers.~~ ~~This Declaration or any declaration of annexation may be amended by Declarant to designate a Cost Center as described in Sections 1.18 and 6.9. The amendment shall be effective when recorded in the records of the City and County of San Francisco, California, signed by an authorized agent of Declarant.~~ **Intentionally Omitted.**

IN WITNESS WHEREOF, we, the Members of Association, pursuant to the requisite approval, and by means of the signatures of the President and the Secretary, do hereby affirm, approve, and adopt this First Amendment in accordance with Article 11, Section 11.2 ("Amendment After Close of First Sale."), of the Declaration, by means of the signatures of the President and the Secretary, and which First Amendment shall be recorded with the Recorder of the County of San Francisco, State of California.

DATED: _____

THE PALACE AT WASHINGTON
SQUARE OWNERS ASSOCIATION, a
California nonprofit mutual benefit
corporation

_____, President

_____, Secretary

FIRST AMENDED AND RESTATED BYLAWS OF THE PALACE AT WASHINGTON SQUARE OWNERS ASSOCIATION

NOTICE

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FIRST AMENDED AND RESTATED BYLAWS OF THE PALACE AT WASHINGTON SQUARE OWNERS ASSOCIATION

ARTICLE I ORGANIZATION

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

ARTICLE 2 DEFINITIONS

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

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

- 2.4 Association. "Association" shall mean The Palace at Washington Square Owners Association, a California nonprofit mutual benefit corporation, its successors and assigns.
- 2.5 Board of Directors. "Board of Directors" or "Board" shall mean the governing body of the Association.
- 2.6 Bylaws. "Bylaws" shall mean the First Amended and Restated Bylaws of the Association as they shall be duly adopted by the Board of Directors and the Members and any duly-adopted amendments thereof.
- 2.7 Civil Code. "*Civil Code*" shall mean the California *Civil Code* as amended from time to time.
- 2.8 Commercial Condominium. "Commercial Condominium" shall mean the Commercial Unit together with its undivided interest in common in the Common Area.
- 2.9 Commercial Unit. "Commercial Unit" shall mean Unit 101 as shown on the Condominium Plan.
- 2.10 Common Area. "Common Area" shall mean all of the property comprising the Project that is owned by all of the Owners in common and the improvements thereon but excluding the Units and Commercial Unit.
- 2.11 Condominium. "Condominium" shall mean an estate in real property, as defined in *Civil Code* sections 783 and 4125, consisting of an undivided interest in all or any portion of the Common Area together with a separate fee interest in a Unit and all easements or other interests appurtenant thereto.
- 2.12 Contract Purchaser / Contract Seller. "Contract Purchaser" and "Contract Seller" shall mean the purchaser and the seller, respectively, under an installment land contract in which title to the property is transferred after the final installment payment is made.
- 2.13 Corporations Code. "*Corporations Code*" shall mean the California *Corporations Code* as amended from time to time.
- 2.14 Declaration. "Declaration" shall mean The Palace at Washington Square Declaration of RestrictionsAssociation, recorded in the Office of the County Recorder of San Francisco County, State of California, and any duly-recorded amendments thereof.
- 2.15 Executive Committee of the Board. "Executive Committee of the Board" shall mean a committee consisting only of directors as described in *Corporations Code* section 7212.

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

- (a) By any method provided for delivery of an Individual Notice pursuant to *Civil Code* section 4040 which includes but is not limited to first-class mail or express mail or by overnight delivery by an express service carrier;
- (b) By inclusion in a billing statement, newsletter, or other document that is delivered by General Delivery;
- (c) By posting a printed document in a prominent location that is accessible to all Members, if the location has been designated for the posting of General Notices by the Association in the annual policy statement, prepared pursuant to *Civil Code* section 5310;
- (d) If the Association broadcasts television programming for the purpose of distributing information on Association business to its Members, by inclusion in the Association broadcast television programming;
- (e) If the Association maintains an internet website for the purpose of distributing information on Association business to the Members, by posting the notice on the Association’s internet website in a prominent location that is accessible to all Members if designated as a location for posting general notices in the annual policy statement prepared pursuant to *Civil Code* section 5310.

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

2.17 Governing Documents. “Governing Documents” shall mean the Articles of Incorporation, Bylaws, Declaration, and Rules.

2.18 Individual Delivery / Individual Notice. “Individual Delivery” or “Individual Notice” shall mean delivery to a Member or Members as provided in *Civil Code* section 4040, which at the time these Bylaws were adopted, consists of the following:

- (a) Delivery to a Member by the “preferred delivery method” specified by the Member as further detailed at Section 3.5 (Delivery Method for Member Notices, Other Information”), which shall include either the Member’s mailing address, the Member’s email address, or both. If a Member has not provided a valid delivery method pursuant to Section 3.5, the Association shall deliver the document to the recipient at the address last shown on the

books of the Association by either first-class mail, registered or certified mail, express mail, or overnight delivery by an express service carrier.

- (b) Upon receipt of a written request by a Member, in compliance with *Civil Code* section 5260, identifying a secondary email or mailing address for delivery of notices, the Association shall deliver an additional copy of the following documents to such secondary address: (1) the documents to be delivered to the Member pursuant to *Civil Code* sections 5300 through 5320 (regarding annual disclosures); and (2) the documents to be delivered to the Member pursuant to *Civil Code* sections 5650 through 5690 (regarding assessment delinquency notices), and *Civil Code* section 5710 (regarding trustee sale notices).

- 2.19 Majority of a Quorum. “Majority of a Quorum” shall mean a majority of the votes cast in any lawful vote or election by the Members in which the number of ballots cast equals or exceeds the number required to establish a quorum as provided in Section 4.5 (“Quorum Requirements”).
- 2.20 Member. “Member” shall mean an Owner.
- 2.21 Member in Good Standing. “Member in Good Standing” shall mean a Member of the Association who is current in the payment of all Annual Assessments and Special Assessments imposed in accordance with the Governing Documents and who is in compliance with all of the provisions of the Governing Documents. A Member shall be deemed to be in Good Standing unless, after notice and an opportunity for hearing, pursuant to Article 6 of the Declaration (“Enforcement of Delinquent Assessments”), the Board has found the Member to be not in Good Standing and has so notified the Member in accordance with *Civil Code* section 5855. For purposes of this Section 2.21, the Board shall not find a Member to be not in good standing if any of the following apply: (a) the delinquency relates to the payment of fines, Reimbursement Assessments, collection charges, late charges, or costs levied by a third party; and/or (b) if the Member: (1) has paid the Annual Regular Assessment or Special Assessment under protest; (2) has entered into a payment plan for repayment of the delinquent Assessments and is not delinquent in payments due under the plan; or (3) has requested and has not been provided an opportunity to engage in internal dispute resolution.
- 2.22 Owner. “Owner” shall mean the record owner, whether one or more persons or entities, of the fee simple title to any Condominium, including Contract Sellers but excluding Contract Purchasers, and excluding those persons having such interest merely as security for the performance of an obligation.
- 2.23 Project. “Project” shall mean all of the real property described in the Declaration as comprising the Condominium project, and any additional real property as may hereafter be brought within the jurisdiction of the Association.

- 2.24 Resident. “Resident” shall mean any person who resides in a Unit within the Project whether or not such person is an Owner.
- 2.25 Rules. “Rules” shall mean the policies, rules, and regulations governing the administration, management, operation, use, and occupancy of the Project, including the use of the Common Area and facilities, the personal conduct of Members and Residents, members of their household, pets, tenants, invitees, and guests within the Project, enforcement of the Governing Documents, and any other matter that is within the jurisdiction of the Association, as adopted, published, or amended by the Board from time to time and subject to applicable law including *Civil Code* section 4340 and following.
- 2.26 Total Voting Power. “Total Voting Power” shall mean the total number of votes of all Members entitled to vote at a particular time, calculated on the basis of one (1) vote for each Unit.
- 2.27 Unit. “Unit” shall mean the elements of a Condominium that are not owned in common with the Owners of other Condominiums in the Project, as more particularly set forth in the Declaration. There are nineteen (19) residential Units and one (1) commercial Unit in the Project.

ARTICLE 3 MEMBERSHIP AND VOTING RIGHTS

- 3.1 Membership Appurtenant to Unit Ownership. Membership in the Association shall include, and shall be limited to, all Owners of any Unit located within the Project. Ownership of a Unit is the sole qualification to be a Member. Membership shall be appurtenant to and may not be separated from ownership of a Unit. Upon becoming the Owner of a Unit, each Owner shall automatically be a Member of the Association and shall remain a Member until such time as his or her or its Unit ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, alienated, or hypothecated in any way, except upon the transfer or encumbrance of the Unit to which it is appurtenant and then only to the transferee or mortgagee, as the case may be, of such Unit. Any attempt to make a prohibited transfer is void. Upon any transfer of title to a Unit, including a transfer upon the death of an Owner, membership in the Association shall pass automatically to the transferee.
- 3.2 Proof of Membership. No person shall exercise the rights of a Member until satisfactory proof of membership has been furnished to the Association. Such proof may consist of either a duly-executed and acknowledged grant deed or a title insurance policy showing that the person is an Owner as defined in Section 2.22 (“Owner”). Such deed or policy shall be deemed conclusive proof of ownership in the absence of a conflicting claim based on a later deed or policy.

3.3 Voting Rights; Joint Owners.

3.3.1 One Vote per Unit. Only Members shall be entitled to vote on any issue or matter presented to the Members for approval or membership vote. Members shall be entitled to cast one (1) vote for each Unit owned.

3.3.2 Joint Owners. In the event more than one (1) person owns a given Unit, the vote for such Unit shall be exercised as the Owners among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any Unit. If the joint Owners of a Unit are unable to agree among themselves as to how their vote is to be cast, they shall lose their right to vote on the matter in question. If any joint Owner of a Unit casts a vote representing a certain Unit, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Unit.

3.3.3 Trusts, Corporations, Other Entities. In the case of an Owner that is not a natural person (such as a corporate trustee, corporation or other entity), the vote of such Owner may be cast by any authorized representative of the Owner designated by notice in writing to the Association.

3.3.4 Conservator, Guardian, Parent of Minor, Executor, Attorney-in-Fact. The power to cast a particular Member's vote may be exercised by (a) the Member's conservator, (b) the guardian of the Member's estate, (c) the parent(s) entitled to custody of a Member if the Member is a minor, (d) the executor or administrator of a deceased Member's estate if the Member's interest in the Unit is subject to administration in his or her estate, or (e) a person with a general power of attorney for a Member.

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

3.5 Delivery Method for Member Notices, Other Information.

3.5.1 Member Duty to Provide Preferred Address. As required by Civil Code section 4041, each Member shall annually provide written notice to the Association of all of the following:

- (i) the Member's preferred delivery method for receiving notices from the Association, which shall include either a mailing address, a valid email address, or both,
- (ii) an alternative or secondary delivery method, if any, to which notices from the Association are to be delivered, including either a mailing address, a valid email address, or both,
- (iii) the name, mailing address and valid email address (if available) of the Member's legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the Member's extended absence from the Unit, and
- (iv) whether the Unit is Owner-occupied, is rented out, or if the Unit is vacant.

3.5.2 Association Duty to Solicit. The Association shall annually solicit from each Member the information as set forth above. The Association shall include in its annual solicitation of Members both of the following:

- (i) that Members do not have to provide an email address to the Association, and
- (ii) a simple method for Members to inform the Association in writing if a Member wishes to change their preferred delivery method for receiving notices from the Association. The information obtained from each Member shall be entered into the books and records of the Association at least thirty (30) days prior to sending its annual budget report pursuant to *Civil Code* section 5300.

3.5.3 Member Failure to Provide Preferred Address. If a Member fails to provide notice to the Association of the information set forth in Section 3.5.1 ("Member Duty to Provide Preferred Address"), the last mailing address provided in writing by the Member or, if none, the Unit property address, is deemed to be the address to which the Association shall deliver notices.

3.5.4 Invalid Email Addresses. For purposes of Section 3.5 ("Delivery Method for Member Notices, Other Information"), a "valid email address" is one that, after a notice is sent, does not result in a bounce back or other error notification indicating failure of the message to be delivered. If the Association delivers a notice to a Member's email address and finds that the email address provided is not valid, the Association shall resend the notice by Individual Delivery to a mailing or other email address provided by the Member.

- 3.5.5 Member Responsibility to Notify Association of Address Change. It shall be each Member's responsibility to notify the Association in writing of any change in the Member's address for the purpose of receiving notices from the Association. The fact that a different address appears on correspondence to the Association from a Member shall not constitute such written notice, unless it is expressly stated in writing that such address is a change of address for the purpose of receiving notice from the Association.
- 3.6 Delivery, When Effective. As provided for in *Civil Code* section 4050; a. if notice is sent by United States mail, such notice shall be deemed delivered upon deposit in the United States mail, postage prepaid; b. if such notice is sent by electronic means, delivery is complete at the time of the transmission.
- 3.7 Notice of Transfer of Title. Upon transfer of title to a Unit, the transferee shall be responsible for notifying the Association of such transfer. The notification shall set forth the address of the Unit, the names of the transferee and the transferor, and the date of sale or other transfer. Prior to receipt of such notification, any and all communications required or permitted to be given by the Association or the Board to the Unit Owner shall be deemed to be duly made and given to the transferee if duly and timely made and given to the person shown as the Owner of the Unit and at the address in the Association's records.

ARTICLE 4 VOTING BY MEMBERS

- 4.1 Membership Votes.
- 4.1.1 Secret Ballot Votes. Any vote on any matter specified in *Civil Code* section 5100(a), which at the time these Bylaws were adopted include (i) elections regarding Assessments legally requiring a vote, (ii) election and removal of directors, (iii) amendments to the Governing Documents, or (iv) the grant of Exclusive Use Common Area pursuant to *Civil Code* section 4600, shall be by "secret ballot" pursuant to Civil Code sections 5100 through 5145. The deadline for returning a secret ballot shall be at least thirty (30) days from the date of mailing.
- 4.1.2 Other Votes. A membership vote on any matter not specified in *Civil Code* section 5100(a) may be, in the Board's discretion, by the secret ballot method specified in Section 4.1.1 ("Secret Ballot Votes"), by written ballot as described in *Corporations Code* section 7513, or by any other lawful means, and for such votes the deadline for returning a ballot shall be a reasonable time, which may be less than thirty (30) days, as shall be determined by the Board in its discretion.
- 4.2 Proxies. Each Member entitled to vote shall have the right to do so either in person or by one (1) or more agents authorized by written proxy, signed by the person

and filed with the secretary of the Association. A proxy shall be considered signed if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by a Member or the Member's attorney-in-fact.

Any validly-executed proxy shall continue in full force and effect until: (i) written notice is received by the Association of the death or incapacity of the Member executing the proxy; or (ii) the Member executing the proxy revokes it before the vote is cast under that proxy by (a) delivering a written revocation to the Association; (b) executing a subsequent proxy that is presented at the meeting; or (c) attending and voting in person at any meeting. Unless the proxy indicates otherwise, it shall not be valid after eleven (11) months from the date of execution; and in no event shall any proxy be valid after three (3) years from the date of execution. Notwithstanding any of the foregoing, all proxies shall be revocable and shall automatically terminate when the Member's membership terminates as provided in Section 5.3 of the Declaration, or any duly recorded amendment. A suspension of any Member's voting rights from the Association shall automatically suspend any proxy executed by that Member.

Any form of proxy distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy also shall identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

No proxy shall be valid with respect to a vote on the following proposals to be approved by the Members unless the general nature of the matter was set forth in the proxy:

- (i) removing a director without cause;
- (ii) filling vacancies on the Board;
- (iii) amending the Articles;
- (iv) the sale, lease, conveyance, exchange, transfer or other disposal of all or substantially all of the Association's assets, or the approval of the principal terms of a merger or the amendment to the principal terms of the merger;
- (v) approving a contract or transaction between the Association and one (1) or more directors, or between the Association and any entity in which a director has a material financial interest;
- (vi) electing to wind up and dissolve the Association; or

- (vii) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of Members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).
- 4.3 Inspector(s) of Election. To the extent required pursuant to *Civil Code* section 5110, prior to any election or vote by the Members, the Board shall appoint one (1) or three (3) inspectors of election, whose powers and duties shall be as set forth in such statute and in the Rules described in Section 4.4 ("Election Rules") below.
- 4.4 Election Rules. The Board shall adopt Rules governing membership voting and elections of directors in conformity with *Civil Code* section 5105. Election Rules adopted pursuant to *Civil Code* section 5105 shall not be amended less than ninety (90) days prior to an election.
- 4.5 Quorum Requirements. The number of ballots that must be cast in order to establish a quorum shall be as follows:
 - 4.5.1 Election of Directors. In any election of one (1) or more directors, the number of valid ballots received shall constitute a quorum.
 - 4.5.2 Assessment Votes. To the extent required by *Civil Code* section 5605, notwithstanding any other provision in the Governing Documents, for purposes of voting on a Special Assessment or an increase in the Annual Assessment that by law must be approved by the Members, a quorum shall mean more than fifty percent (50%) of the Total Voting Power, or such other quorum requirement as may be specified by law.
 - 4.5.3 All Other Member Votes. For any other vote or election by the Members, a quorum shall be one-third (1/3) of the Total Voting Power (at least 6 ballots), unless the Governing Documents expressly provide otherwise.
 - 4.5.4 Meetings to Count Ballots. There shall be no quorum requirement for Member attendance at any meeting of the Members held for the purpose of tabulating ballots pursuant to *Civil Code* section 5120(a) and no action by the Members shall be conducted at any such meeting other than the tabulation of ballots by the inspector(s) of election.
- 4.6 Act of Members Requires Majority of a Quorum. Except where the Governing Documents expressly specify a different approval of the Members, for any action that may be taken by the Members, the affirmative vote of a Majority of a Quorum of the Members shall constitute the action of the Members.
- 4.7 Results of Membership Votes. To the extent required by *Civil Code* section 5120(b), the Board shall within fifteen (15) days of an election give General Notice

of the tabulated results to all the Members. To the extent required by *Corporations Code* section 8325, for a period of sixty (60) days following the conclusion of any membership vote (or, if applicable, an annual, regular, or special meeting of Members), a Member shall, upon written request, be informed forthwith of the result of any particular vote of the Members, including the number of memberships voting for, the number of memberships voting against, and the number of memberships abstaining or withheld from voting. If the matter voted on was the election of directors, the Association shall report the number of votes cast for each nominee for director.

- 4.8 Meetings of Members. To the extent any vote or election by the Members is required by law to be conducted at a meeting of the Members, the provisions of the *Corporations Code*, including *Corporations Code* sections 7510 and 7511, that would otherwise apply shall apply; any such meeting of Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt; and to the extent required pursuant to *Civil Code* sections 4925(b) and 5000(b), a reasonable time limit for all Members to speak at a meeting of the Members shall be established by the Board.
- 4.9 Place of Member Meetings. Except as provided in Section 4.10 ("Membership Meetings Conducted by Videoconference or Teleconference"), meetings of the Members shall be held at a location within the Project or the Board may designate a convenient place located as close as reasonably practicable to the Project.
- 4.10 Member Meetings Conducted by Videoconference or Teleconference. The Association may conduct a Member meeting by videoconference or teleconference as provided in Section 6.2 ("Videoconference and Teleconference Meetings").
- 4.11 Annual Meeting. The annual meeting of Members shall be held in the month of June or as soon thereafter as is practical.
- 4.12 Special Meetings of Members. Special meetings of the Members shall be held in response to a request by the Board President, or by vote of a majority of the Board, or upon written request of Members representing five percent (5%) of the Total Voting Power of the Members.
- 4.13 Notice of Member Meetings. Written notice of Member meetings shall be given to each Member by Individual Delivery at least ten (10) days but not more than ninety (90) days before such meeting; *except that*, in the case of a special meeting called pursuant to written request of Members, notice of such special meeting shall be given to Members by Individual Delivery within twenty (20) days after receipt of a written request by the Board, and the date for such special meeting shall be not less than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of the written request. The notice shall state the date, time and

place of the meeting, and in the case of a special meeting, shall state the purpose for the meeting.

ARTICLE 5 BOARD OF DIRECTORS: NOMINATION, SELECTION, TERM OF OFFICE, REMOVAL

- 5.1 Number of Directors. The affairs of this Association shall be managed by or under the direction of, and the corporate powers shall be exercised by, a Board of Directors. The authorized number of directors shall be three (3).
- 5.2 Time of Election of Directors. Directors shall be elected every two (2) years in the month of June, or as soon thereafter as is practical.
- 5.3 Qualification of Directors. Only persons who satisfy all of the following qualifications shall be eligible to be elected to or serve on the Board: (a) Is a Member in Good Standing or in the case of a Member in Good Standing that is not a natural person (such as a corporation or other entity), an officer, director, principal, or authorized representative of the entity; and (b) does not have a criminal conviction that would, if elected, prevent the Association from purchasing the fidelity bond coverage required by *Civil Code* section 5806 or terminate the Association's existing insurance coverage required by *Civil Code* section 5806 as to that person should the person be elected.
- 5.4 Nomination Procedures. Nominations of candidates for election to the Board of Directors may be made by a nominating committee (hereinafter, "Nominating Committee") or by self-nomination, as follows:
- 5.4.1 By Nominating Committee. Prior to any election of directors, the Board may appoint a Nominating Committee to nominate candidates for election to the Board. If appointed, the Nominating Committee shall nominate as many candidates for election to the Board as it shall in its discretion determine, but shall endeavor to nominate not less than the number of positions on the Board that are to be filled in the election. All nominations shall be made from among persons who satisfy the qualifications set forth in Section 5.3 ("Qualification of Directors") and shall be made prior to the deadline for nominations.
- 5.4.2 By Self-nomination. Any Member who satisfies the qualifications set forth in Section 5.3 ("Qualification of Directors") may place his or her name in nomination for election to the Board by giving written notice to the President or Secretary of the Association. Notice of self-nomination must be received prior to the deadline for nominations.

- 5.5 Deadline for Nominations. The deadline for nominations shall be set by the Board and shall be not less than thirty (30) days prior to the date of the mailing or delivery of ballots for any election of directors. All nominations, whether by a Nominating Committee or by self-nomination, must be received prior to the deadline for nominations.
- 5.6 Publication of Deadline for Nominations. The date and time of the deadline for nominations and the procedure for submitting a nomination shall be provided to the Members by General Delivery (and by Individual Delivery if so requested by a Member) at least thirty (30) days in advance of the nomination deadline.
- 5.7 Election by Acclamation. Notwithstanding the secret balloting requirements of Section 4.1 ("Voting by Members; Membership Votes") or anything to the contrary in the Governing Documents, if, as of the published deadline for nominations, the number of qualified candidates nominated is not more than the number of directors to be elected, as determined by the inspector(s) of elections, then the persons nominated and qualified to be elected may be declared elected by acclamation if all of the following conditions have been met:
- 5.7.1 Elections Held at Least Once Every Three Years. The Association has held a regular election for directors in the last three (3) years. The three-year time period shall be calculated from the date ballots were due in the last full election to the start of voting for the proposed election.
- 5.7.2 Individual Notice of Nomination Procedure Provided. The Association provided individual notice of the election and the procedure for nominating candidates at least ninety (90) days before the deadline for submitting nominations that includes all of the following:
- (i) the number of Board positions to be filled at the election.
 - (ii) the deadline for submitting nominations.
 - (iii) the manner in which nominations can be submitted.
 - (iv) a statement informing Members that if, at the close of the time period for nominations, there are the same number or fewer qualified candidates as there are Board positions to be filled, then the Board may, after voting to do so, seat the qualified candidates by acclamation without balloting.
- 5.7.3 Reminder Notice Provided. The Association provided a reminder notice between seven (7) and thirty (30) days before the deadline for submitting nominations that includes all of the following:
- (i) the number of Board positions to be filled at the election.

- (ii) the deadline for submitting nominations.
- (iii) a list of the names of all of the qualified candidates to fill the Board positions as of the date of the reminder notice.
- (iv) a statement reminding Members that if, as of the deadline for nominations, there are the same number or fewer qualified candidates as there are Board positions to be filled, then the Board may, after voting to do so, seat the qualified candidates by acclamation without balloting. This statement is not required if, at the time the reminder notice will be delivered, the number of qualified candidates already exceeds the number of Board positions to be filled.

5.7.4 Acknowledgment of Nomination Provided. The Association provides, within seven (7) business days of receiving a nomination, a written or electronic communication acknowledging receipt of the nomination to the Member who submitted the nomination, and if the nominee and the Member who submitted the nomination are not the same person, then a written or electronic communication to the nominee within the same time period indicating the following:

- (i) the nominee is a qualified candidate for the Board; or
- (ii) the nominee is not a qualified candidate for the Board, the basis for the disqualification, and the Association's internal dispute resolution procedure, which shall comply with *Civil Code* section 5900 et al., by which the nominee may appeal the disqualification.

5.7.5 All Qualified Candidates Allowed. The Association permits all candidates to run for election, except for any nominees disqualified from running as allowed or required pursuant to Section 5.3 ("Qualification of Directors").

5.7.6 Board's Vote at Open Meeting. The Board votes to consider the qualified candidates elected by acclamation at an open meeting for which the agenda item reflects the name of each qualified candidate that will be seated by acclamation if the item is approved.

5.8 List of Known Candidate Names. A list of the names of all persons known by the Board to be qualified candidates for election to the Board as of the published deadline for nominations shall be prepared and distributed as set forth in *Civil Code* section 5115(b) and in the Rules described in Section 4.4 ("Election Rules").

- 5.9 Voting for Directors; No Cumulative Voting; No Write-ins. In all elections of directors, every Member may cast, in respect to each position on the Board to be filled, one (1) vote for each Unit owned. The persons receiving the largest number of votes shall be elected. Cumulative voting (i.e., giving more than one vote to any candidate) shall not be permitted. Voting for write-in candidates (that is, voting for any person not nominated prior to the deadline for nominations) is not permitted.
- 5.10 Tied Votes. In the case of a tied vote for one (1) or more positions on the Board, the candidates shall draw lots to determine the winner or winners.
- 5.11 Election and Term of Office. In the election of directors, the Members shall elect three (3) directors for terms of two (2) years each. Each director shall serve until the expiration of his or her term and thereafter until a successor is elected, or until the earlier disqualification, death, resignation, or removal of such director.
- 5.12 Removal of Directors by the Members. Consistent with *Corporations Code* section 7222, any director may be removed from the Board, with or without cause, by the vote of a majority of the Total Voting Power of the Association.
- 5.13 Reduction of Number of Directors. Any reduction of the authorized number of directors shall be subject to the provisions of *Corporations Code* section 7222(c).
- 5.14 Vacancies, Resignation, Disqualification of Directors. A vacancy shall exist on the Board (i) in the event of the death, resignation, or removal (by the Members) of any director, (ii) in the event of a declaration of a vacancy by the Board as provided below in this Section 5.14, (iii) if the authorized number of directors is increased, or (iv) if the Members fail to elect the full authorized number of directors.
- 5.14.1 Resignation. Any director may resign by giving written notice to the Board. The resignation shall be effective on the date specified in the notice. Unless otherwise provided in the notice, the acceptance of a resignation shall not be necessary to make it effective.
- 5.14.2 Disqualification of a Director. As provided in *Corporations Code* section 7221(b), the Board of Directors, by a majority vote of the directors who meet all of the qualifications for directors as set forth in Section 5.3 ("Qualification of Directors"), may declare vacant the office of any director who fails or ceases to meet any required qualification that was in effect at the beginning of that director's current term of office.
- 5.14.3 Failure to Perform Duties. Pursuant to *Corporations Code* section 7221(a), the Board, by vote of a majority of a quorum, may declare vacant the office of any director who (i) fails within sixty (60) days after receiving notice of election to accept office, either in writing or by attending a meeting of the Board as a director, (ii) is absent from three (3) consecutive meetings of the Board, or (iii) fails to make available any

and all information the Association is legally obligated to provide to a governmental agency for Association compliance with federal or state law requirements, including, without limitation, the requirements of the federal Corporate Transparency Act.

5.15 Filling Vacancies.

5.15.1 Removal by Members. Pursuant to *Corporations Code* section 7224, vacancies on the Board created by the removal of a director by the Members shall be filled by approval of the Members. A director elected by the Members to fill such a vacancy shall serve the remainder of the term of office of the director whom he or she replaces.

5.15.2 Other Vacancies. Any vacancy occurring on the Board of Directors, except a vacancy created by the removal of a director by the Members may be filled (i) by approval of the Board of Directors; or (ii) by a sole remaining director. If the Board accepts the resignation of a director tendered to take effect at a future time, the Board, including the resigning director, may choose or, if the Board fails to act, the Members may elect, a successor to take office when the resignation becomes effective. The Members may elect a director at any time to fill any vacancy not filled by the directors. A director chosen by the Board in accordance with this Section 5.15.2 to fill a vacancy shall serve the remainder of the term of office of the director whom he or she replaces.

5.16 Removal of Entire Board; Replacement Directors. In the case of a vote by the Members to remove the entire Board of Directors, the incumbent directors shall not be removed from office unless and until one (1) or more replacement directors have been elected by the Members. If, in such election, the Members fail to elect the full number of replacement directors, the vacancies then existing on the Board may be filled by the elected replacement directors pursuant to clause (i) or clause (ii) of Section 5.15.2 ("Other Vacancies"). All of the directors replacing those removed by the Members shall serve until the next election of directors.

5.17 Directors' Conflict of Interest. As provided in *Civil Code* section 5350, no director or member of a committee shall be permitted to vote on matters of (a) discipline of the director or committee member, (b) an Assessment against the director or committee member for damage to the Common Area or facilities, (c) a request, by the director or committee member, for a payment plan for overdue Assessments, (d) a decision whether to foreclose on a lien on the separate interest of the director or committee member, (e) review of a proposed physical change to the separate interest of the director or committee member, (f) a grant of exclusive use of Common Area to the director or committee member, and (g) as provided in *Corporations Code* section 7233, any contract or other transaction in which a director or committee member has a material financial interest. As provided in *Corporations Code* section 7234, the interested director or committee member

may be counted in determining the presence of a quorum at a meeting of the Board or of a committee.

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

ARTICLE 6 MEETINGS OF DIRECTORS

- 6.1 Definition of Meeting of the Board. As defined in *Civil Code* section 4090, a "meeting" of the Board shall mean either (a) a congregation, at the same time and place, of a sufficient number of directors to establish a quorum of the Board, to hear, discuss, or deliberate upon any item of business that is within the authority of the Board or (b) a teleconference, where a sufficient number of directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video or both. The foregoing includes executive session meetings of the Board. Pursuant to *Civil Code* section 4155, an "item of business" as used above is any action within the authority of the Board, except those actions that the Board has validly delegated to any other person or persons, including a managing agent, officer of the Association, or committee of the Board comprising of less than a quorum of the Board.

The foregoing includes executive session meetings of the Board and committee meetings at which a quorum of the Board meets and discusses Board items of business. It does not include social or informational gatherings so long as Board actions within the authority of the Board are not discussed, deliberated or voted on.

- 6.2 Videoconference and Teleconference Meetings. The Association shall be permitted to conduct a Board meeting entirely by teleconference or videoconference without any physical location designated for attendance by the directors or members, provided that (a) the Board meeting will be held solely in executive session, or (b) for open Board meetings, provided the requirements of either *Civil Code* section 4926 and/or *Civil Code* section 5450 are met. Participation by directors in a videoconference or teleconference meeting constitutes presence at that meeting as long as all directors participating are able to hear one another, as well as Members of the Association speaking on matters before the Board.
- 6.2.1 No Secret Ballot Tabulation. If secret ballots will not be opened and tabulated at the meeting (pursuant to *Civil Code* section 5120), the Member or Board meeting may be conducted entirely by videoconference or teleconference, without any physical location being held open for the attendance of any director or member, provided that (i) the requirements of either *Civil Code* section 5450 or *Civil Code* section 4926 are met, or (ii) it is a Board meeting being held solely in executive session.
- 6.2.2 Secret Ballots Tabulation. If secret ballots will be opened and tabulated at the Member or open Board meeting pursuant to *Civil Code* section 5120, then the meeting may be held by videoconference or teleconference only if the notice of the videoconference or teleconference meeting identifies at least one (1) physical location so that Members of the Association may attend, and at least one director or a person designated by the Board shall be present at the location, unless there is a state of emergency of disaster and the other requirements of *Civil Code* section 5450 are met.
- 6.3 Organizational Meeting. As soon as possible, but in any event within thirty (30) days after each election of directors, the Board of Directors shall hold a meeting for the purpose of organization, appointment of officers, and transaction of other business, as appropriate.
- 6.4 Regular Meetings of the Board. Regular meetings of the Board shall be held monthly / at least once every three (3) months / other upon proper notice which conforms to the provisions of Section 6.7 ("Notice to Directors") and Section 6.8 ("Notice to Members; Agenda"), at the place, day, and time set forth in such notice. In the event the Board should determine that the business to be transacted by the Board does not reasonably justify monthly meetings, then regular meetings of the Board shall be held at such intervals as the Board may determine, but not less frequently than once every three (3) months.
- 6.5 Special Meetings of the Board. Special meetings of the Board shall be held when called by the President of the Association or by any two (2) directors.

- 6.6 Emergency Meetings of the Board. As provided in *Civil Code* section 4923, emergency meetings of the Board may be called by the President or by any two (2) directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide the notice required by *Civil Code* section 4920.
- 6.7 Notice to Directors. Regular meetings of the Board may be held, without further notice to the Board, at a place within the Project and on a day and time fixed by resolution of the Board. If not fixed by resolution of the Board, notice of each meeting of the Board shall be communicated to the directors not less than four (4) days prior to a regular meeting, and not less than forty-eight (48) hours prior to a special meeting; provided that shorter notice may be given in the case of a bona fide emergency; and *provided, further*, that notice of a meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting, whether before or after the meeting.
- 6.8 Notice to Members; Agenda. To the extent required pursuant to *Civil Code* section 4920, except for bona fide emergency meetings (whether open meeting or executive session), prior written notice of the day, time, and place of each meeting of the Board of Directors shall be given to all Members. The notice shall contain the agenda for the meeting, subject to the provisions of *Civil Code* section 4930.
- 6.8.1 Timing of Notice to Members. Notice of open Board meetings shall be given at least four (4) days before the meeting. Notice of a Board meeting that is held exclusively in executive session shall be given at least two (2) days before the meeting.
- 6.8.2 Delivery of Notice to Members. The notice to the Members shall be given by General Delivery in accordance with *Civil Code* section 4045.
- 6.9 Open Meeting. To the extent required pursuant to *Civil Code* section 4925(a), regular and special meetings of the Board of Directors shall be open to all Members of the Association, except when the Board meets in executive session. Pursuant to *Civil Code* section 4925(b), a reasonable time limit for all Members to speak to the Board shall be established by the Board; however, the right to speak to the Board shall not entitle any Member to participate in the Board's deliberations on any matters unless requested to do so by the Board.
- 6.10 Executive Session. To the fullest extent permitted by law, including *Civil Code* section 4935, the Board may meet in executive session to confer with legal counsel or to discuss and/or vote upon personnel matters, Member discipline, litigation in which the Association is or may become involved, matters that relate to the formation of contracts between the Association and others, and for the purpose of meeting with a Member, upon such Member's request, regarding the Member's

payment of Assessments. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person(s) whose participation is, in the judgment of the Board, necessary or appropriate, shall be entitled to attend the executive session; *provided, however*, that (a) to the extent required by *Civil Code* section 5673, a decision by the Board to record a lien for delinquent Assessments shall be made at an open meeting of the Board, and (b) to the extent required by *Civil Code* section 5705(c), a vote of the Board to initiate foreclosure of a lien for delinquent Assessment shall be taken in executive session but shall be recorded in the minutes of the next following open meeting of the Board. There shall be no requirement that the Board convene an open meeting in order to meet in executive session.

- 6.11 Board's Action by Unanimous Written Consent. To the extent provided in *Civil Code* section 4910, the Board may not take action by unanimous written consent without a meeting except in case of emergency and then only by electronic transmission, including email as provided in *Civil Code* section 4910(b)(2). Any such written consents shall be filed with the minutes of the proceedings of the Board.
- 6.12 Quorum for Board's Action. A majority of the number of directors authorized in Section 5.1 ("Number of Directors") shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.
- 6.13 Voting by Directors. Pursuant to *Corporations Code* section 7211(c), each director shall be entitled to one (1) vote and a director may not vote by proxy or otherwise delegate his or her right to vote on any matter before the Board.
- 6.14 Minutes of Meetings of Directors. To the extent required by *Civil Code* section 4950(a), within thirty (30) days after the date of any meeting of the Board, the Board shall make available to the Members either (a) the minutes of that meeting as adopted by the Board, (b) if the minutes have not yet been adopted by the Board, the minutes as proposed for adoption which shall be marked to indicate draft status, or (c) a summary of the minutes. To the extent required by *Civil Code* section 4935(e), any matter discussed in an executive session shall be generally noted in the minutes of the Board and minutes of executive sessions shall not otherwise be required. Copies of the minutes, proposed minutes, or summary of minutes shall be provided to any Member of the Association upon request and upon reimbursement of the Association's costs in providing such copies.

ARTICLE 7 DUTIES OF THE BOARD OF DIRECTORS

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

- 7.1 Supervision. The Board shall supervise all officers, agents, and employees of the Association, if any, and see that their duties are properly performed.
- 7.2 Records and Minutes. The Board shall cause to be kept a complete record of all its acts and the corporate affairs, including a membership list described in *Civil Code* section 5200(a)(9), adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, Committees of the Board, and any other committee appointed by the Board having decision-making authority.
- 7.3 Maintain Insurance. The Board shall procure and maintain adequate casualty, liability and other insurance as the Board shall determine consistent with the provisions of Article 8 of the Declaration ("Insurance").
- 7.4 Enforcement of Governing Documents. The Board shall enforce the Governing Documents on its own initiative or upon receipt of written complaint from an Owner or a Resident, in accordance with the procedures set forth in Article 13 of the Declaration ("Miscellaneous Provisions; Enforcement Rights and Remedies").
- 7.5 Annual Budget Report. In accordance with *Civil Code* section 5300(a), the Association shall distribute an annual budget report, not less than thirty (30) days and not more than ninety (90) days prior to the end of the Association's fiscal year. The annual budget report shall conform to the requirements of *Civil Code* section 5300(b) and (e) and section 5550.
- 7.6 Notice of Certain Changes in Insurance. In accordance with *Civil Code* section 5810, as soon as reasonably practicable, the Association shall provide Individual Notice to all Members if any of the Association's policies described in the Association's annual budget report have lapsed or been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible for any of those policies. If the Association receives any notice of non-renewal of an Association's policy described in the Association's annual budget report and replacement coverage will not be in effect by the date the existing coverage will lapse, the Association shall immediately provide Individual Notice thereof to the Members.
- 7.7 Annual Policy Statement; Notifications to Members. In accordance with *Civil Code* section 5310(a)(1) through (12), not less than thirty (30) days and not more than ninety (90) days before the end of the fiscal year, the Board shall distribute to the Members an annual policy statement.

- 7.8 Documents Provided to Prospective Purchasers. To the extent required by *Civil Code* section 4530(a), the Board shall provide or cause to be provided to a requesting Owner, within ten (10) days of a written request therefor, the items specified in *Civil Code* section 4525(a), or any of them.
- 7.9 Association's Duty to Annually Solicit Owners' Preferred Delivery Method for Notices, Other Information. As required by *Civil Code* section 4041, the Association shall annually solicit from each Owner the information as set forth in Section 3.5 ("Delivery Method for Member Notices, Other Information").
- 7.10 Review of Annual Financial Statement. To the extent required pursuant to *Civil Code* section 5305, for any fiscal year in which the gross income to the Association exceeds Seventy-five Thousand Dollars (\$75,000), the Board shall obtain a review of the financial statements of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy and shall distribute it to all Members of the Association within one hundred twenty (120) days after the close of such fiscal year by Individual Delivery.
- 7.11 Monthly Review of Accounts. The Board shall review the Association's operating and reserve accounts at least monthly in accordance with the minimum requirements set forth in *Civil Code* section 5500, as follows:
- (a) Review a current reconciliation of the Association's operating accounts on a monthly basis;
 - (b) Review a current reconciliation of the Association's reserve accounts on a monthly basis;
 - (c) Review, on a monthly basis, the current year's actual operating revenues and expenses compared to the current year's budget;
 - (d) Review, on a monthly basis, the latest account statements prepared by the financial institutions where the Association keeps its operating and reserve accounts;
 - (e) Review, on a monthly basis, an income and expense statement for the Association's operating and reserve accounts; and
 - (f) Review, on a monthly basis, the check register, monthly general ledger, and delinquent assessment receivable reports.

As used in this Section 7.11, the term "reserve accounts" shall have the meaning set forth in *Civil Code* section 4177. Pursuant to *Civil Code* section

5501, the review requirements of *Civil Code* section 5500 may be met when every member of the Board, or an Executive Committee of the Board consisting of the Treasurer and at least one other Board member, reviews the documents and statements described above outside of a Board meeting, so long as the review is ratified at the next Board meeting following the review and the ratification is reflected in the minutes of the Board meeting.

- 7.12 Biennial Notice to Secretary of State. The Board shall file with the Secretary of State the biennial (every two years) statement of names of officers and of agent for service of process required pursuant to *Corporations Code* section 8210 and the statement required by *Civil Code* section 5405(a).
- 7.13 Three-year Reserve Study and Annual Review. In accordance with *Civil Code* section 5550, at least once every three (3) years, the Board shall cause a study of the reserve account requirements of the Project to be conducted, which study shall include the minimum requirements specified in *Civil Code* section 5550(b) or successor statute. The Board shall review the reserve study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.
- 7.14 Prudent Management of Reserve Funds. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account and, to the extent restricted by *Civil Code* section 5510(b), shall not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components for which the Association is responsible and for which the reserve fund was established; *provided, however*, that the Board may authorize a temporary transfer of money from a reserve fund to the Association's general operating fund for the purposes and subject to *Civil Code* section 5520.

ARTICLE 8 POWERS OF THE BOARD OF DIRECTORS

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

- 8.1 Make Contracts. The Board shall have the power to authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association.
- 8.2 Consult Professional Advisors. The Board shall have the power to consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out the Board's authority and responsibility

under the Governing Documents and the law, and to pay for such professional services.

- 8.3 Hire a Manager and Others. The Board shall have the power to engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties.
- 8.4 Adopt and Enforce Rules. Subject to applicable law, including *Civil Code* sections 4340 through 4370 (regarding procedures for adopting or changing certain rules), the Board shall have the power to adopt, publish, amend, repeal, and enforce Rules.
- 8.5 Collect Assessments by Foreclosure and/or Legal Action. As addressed in the Declaration, the Board shall have the power to collect Assessments levied by the Association by foreclosing the lien against any property for which Assessments are not paid as required by the Declaration and/or by bringing an action at law against the Owner personally obligated to pay the same.
- 8.6 Impose Sanctions. Upon an explicit finding and for reasons specified by the Board following a hearing conducted in accordance with Section 13.8 of the Declaration ("Enforcement Rights and Remedies"), the Board shall have the power to impose sanctions on a Member who is in default in the payment of any Assessment or other charge levied by the Board or is found to be in violation of any provision of the Governing Documents. Sanctions may include loss of good standing, suspension of other rights, and/or monetary penalties (fines), as described in Section 13.8 of the Declaration ("Enforcement Rights and Remedies").
- 8.7 Pay Property Taxes. The Board shall have the power to pay all real property taxes and assessments levied upon any property within the Project to the extent not separately assessed to the Owners. Provided that any such taxes are paid or that a bond insuring the payment is posted, such taxes and assessments may be contested or compromised by the Association prior to the sale or other disposition of any property to satisfy the payment of such taxes.
- 8.8 Deal with Association's Property; Certain Limitations. The Board shall have the power to acquire and deal with real and personal property of the Association, subject to any applicable limitations set forth in the Governing Documents.
- 8.9 Open Bank Accounts; Borrow. The Board shall have the power to open bank accounts, designate signatories upon such bank accounts (subject to the requirements of Section 10.4 ("Checks, Drafts, and Evidences of Indebtedness") concerning withdrawal of reserve account funds), and borrow money on behalf of the Association.

- 8.10 Pledge Assessments As Security. The Board shall have the power to assign or pledge Assessments of the Association as security for a loan, provided that such assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law to the extent required by *Civil Code* section 5735; and *provided, further*, that approval of the Members shall be required if such assignment or pledge is in conjunction with an increase in the Annual Assessment or the imposition of a Special Assessment that by law requires approval of the Members, and such Members' approval shall be the same as the Members' approval required for such increase in the Annual Assessment or imposition of a Special Assessment.
- 8.11 Invest Reserve Funds. The Board shall have the power to manage and invest the Association's reserve funds in prudent investments, provided it does so in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the Board's most recent review of the reserve fund study obtained by the Board as required in Section 7.13 ("Three-year Reserve Study and Annual Review") and applicable law.
- 8.12 Indemnify Agents. To the extent provided in *Corporations Code* section 7237, the Board on behalf of the Association shall have the power to and shall indemnify and hold harmless, to the maximum extent permitted by California law, each person who is or at any time was a director, officer, employee, or agent of the Association, or member of any committee appointed by the Board from and against any and all claims, liabilities, expenses, judgments, fines, settlements, and other amounts, as those terms are defined by California law, actually and reasonably incurred by any such person, and to which any such person shall become subject by reason of his or her being a director, officer, employee, or agent of the Association, or member of any committee appointed by the Board.
- 8.13 Appoint Committees. The Board may appoint an Architectural Committee, as provided in the Declaration, and may appoint a Nominating Committee, as provided in Section 5.4 ("Nomination Procedures"), and may appoint such other committees as it deems appropriate in carrying out the powers and purposes of the Association except that the Board may not delegate its authority to hold hearings or impose sanctions. Any "Executive Committee of the Board" (as defined in Section 2.15) shall consist of at least two (2) directors and shall have such powers and duties as the Board shall determine, subject to the limitations of *Corporations Code* section 7212. As provided in *Corporations Code* section 7212(b), a committee exercising the authority of the Board shall not include as members any persons who are not directors. All committees and committee members shall serve at the pleasure of the Board.
- 8.14 Other Powers and Duties. The Board shall have the power to exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by other provisions of the Governing

Documents, and undertake any action on behalf of the Association as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Association and/or the interests of the Association and its Members.

ARTICLE 9 OFFICERS AND THEIR DUTIES

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

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

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

ARTICLE 10 MINUTES; BOOKS AND RECORDS; FUNDS

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

signed by at least one (1) person, of whom is an officer or a director and in the manner specified by resolution of the Board of Directors.

- 10.4.2 Reserve Expenditures. In accordance with *Civil Code* section 5510(a), the withdrawal of funds from the Association's reserve account shall require the signatures of at least two (2) persons who shall be members of the Board of Directors or one (1) member of the Board of Directors and one officer who is not a member of the Board of Directors.
- 10.5 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in such banks or other depositories as the Board of Directors shall, from time to time, determine. The managing agent of the Association, if any, shall manage the Association's funds in accordance with *Civil Code* section 5380.
- 10.6 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31.

ARTICLE 11 AMENDMENTS

- 11.1 Amendments Generally. These Bylaws may be amended by approval of the Board and the affirmative vote of a Majority of a Quorum of the Members *provided, however,* that, upon advice of legal counsel licensed to practice law in the state of California, including the drafting by legal counsel of appropriate amendatory provisions, the Board shall have the authority without the requirement of Member approval to amend any provision of the Bylaws: (a) to resolve any conflict between the Bylaws and applicable law which may arise due to the enactment or amendment of a statute or due to a development in applicable case law or (b) to conform the provisions of the Bylaws to changes in applicable statutory law that impose requirements that are non-discretionary.
- 11.2 Record of Amendments. When an amendment or a new Bylaw provision is adopted, it shall be placed in the appropriate place in the minute book of the Association together with a certificate signed by the Secretary stating the date on which it was approved by the Board and whether at a meeting or by unanimous written consent of the directors, and the date on which it was approved by the Members.

ARTICLE 12 MISCELLANEOUS

- 12.1 Conflict in Governing Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

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