

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**SEAL BEACH**

**MUTUAL NO. TWELVE**

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## ARTICLE I DEFINITIONS

Whenever used in these Bylaws, the following terms shall have the following meanings:

**Section 1. Articles.** “Articles” or “Articles of Incorporation” shall mean the Articles of Incorporation for the Corporation filed with the Office of the California Secretary of State, as the same may be amended from time to time.

**Section 2. Assessments.** “Assessment” or “Assessments” shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Development and the cost of enforcing the Corporation’s governing documents that is to be paid by each Member as determined by the Corporation, and includes Regular and Special Assessments.

(a) **Regular Assessment.** “Regular Assessment” shall mean the carrying charge duly made and levied by the Corporation against a Member and such Member’s Share, representing such Member’s share of the total common expenses which are to be levied among all the Members and their Shares in accordance with the Act, and in the manner and proportions specified in the Occupancy Agreements.

(b) **Special Assessment.** “Special Assessment” shall mean an Assessment, other than a Regular Assessment, from time to time duly made and levied by the Corporation against all Members and their Shares in the manner and proportions specified in the Occupancy Agreements, or, after notice and a hearing, against a particular Member and such Member’s Share in accordance with the Act and the Occupancy Agreement.

**Section 3. Board.** The “Board of Directors” or “Board” shall mean and refer to the governing body of the Corporation. A “Director” or Board member shall mean an individual member of the Board of Directors.

**Section 4. Common Area.** “Common Area” shall mean the entire Development except all Dwelling Units as defined in these Bylaws.

**Section 5. Development.** “Development” shall mean the entire stock cooperative development, composed of the Common Area and Dwelling Units.

**Section 6. Dwelling Unit.** “Dwelling Unit” shall mean and refer to a portion of the real property in which a Member has a right of exclusive occupancy appurtenant to stock ownership in the Corporation.

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**Section 7. General Delivery or General Notice.** If a provision of the Act requires that the Corporation deliver a document by “general delivery” or “general notice,” the document shall be delivered by one of the following methods:

(i) Any method provided for delivery of an individual notice pursuant to Section 4040 of the Act.

(ii) Inclusion in a billing statement, newsletter, or other document that is delivered by one of the methods provided in this Section.

(iii) Posting the 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 Corporation in the annual policy statement.

(iv) If the Corporation broadcasts television programming for the purpose of distributing information on Corporation business to its Members, by inclusion in the programming.

(v) If the Corporation maintains an internet website for the purpose of distributing information on Corporation business to its Members, by posting the notice on the Corporation’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 Section 5310 of the Act.

**Section 8. Governing Documents.** “Governing Documents” shall mean these Bylaws and any other documents, such as Rules and Regulations, or Articles which govern the operation of the Corporation as a common interest development, as the same may be amended from time to time.

**Section 9. Member or Shareholder or Owner.** The terms “Member,” “Shareholder” and “Owner” are used interchangeably and shall have the same meaning and refer to those individuals owning the Shares of stock of this Corporation.

**Section 10. Individual Delivery or Individual Notice.**

(a) Preferred Method of Delivery. If a provision of the Act requires that the Corporation deliver a document by “individual delivery” or “individual notice,” the Corporation shall deliver that document in accordance with the preferred delivery method specified by the Member pursuant to Section 4041 of the Act.

(b) If No Preferred Method of Delivery. If a Member has not provided a valid delivery method pursuant to Section 4041 of the Act, the Corporation shall deliver the document by first-class mail, registered or certified mail, express mail, or overnight delivery by an express service carrier addressed to the recipient at the address last shown on the books of the Corporation.

**Section 11. Occupancy Agreement.** "Occupancy Agreement" shall mean the agreement governing a Member's right of exclusive occupancy in a Dwelling Unit within the Development, as the same may be amended from time to time.

**Section 12. Share.** "Share" shall mean one of the 452 shares of stock in the Corporation. A certificate of such Share may be referred to as a stock certificate.

## **ARTICLE II NAME AND LOCATION OF CORPORATION; PURPOSE**

**Section 1. Name.** The name of this corporation is Seal Beach Mutual No. Twelve (the "Corporation"). The Corporation's principal office is located in Seal Beach, California.

**Section 2. Purpose.** The purpose of this Corporation is to provide its Members with housing on a non-profit basis consonant with the provisions set forth in its Articles of Incorporation.

**Section 3. Applicability of Act.** Notwithstanding anything to the contrary, the Corporation is a "stock cooperative" as such term is defined in the Act and, as such, the Corporation shall at all times be subject to and operate in accordance with, the Act.

## **ARTICLE III MEMBERSHIP**

**Section 1. Eligibility.** The following persons are eligible for stock ownership in this Corporation: (a) any natural person fifty-five years of age or over; (b) such other qualified person as is qualified pursuant to the provisions of Section 51.3 of the California Civil Code, as now constituted or amended; and (c) all persons who were shareholders on January 1, 1985. All persons approved by the Board of Directors of the Corporation shall be eligible for common stock ownership (hereinafter referred to as "membership") provided that such person executes any and all agreements necessary to implement such ownership as determined by the Board of Directors, together with an Occupancy Agreement in the usual form employed by the Corporation, covering a specific unit in this Development. All memberships shall be issued in conformity with the laws of the State of California and the Corporation's Governing Documents.

**Section 2. Application for Membership.** Application for membership shall be presented in person on a form prescribed by the Board of Directors, and all such applications shall be acted upon promptly by the Board of Directors.

**Section 3. Members.** The Members shall consist of such persons who have been approved for membership by the Board of Directors, who have paid for their Share and received stock certificates, and who have executed an Occupancy Agreement. The Board may adopt such guidelines as it determines appropriate setting forth standards for the approval for membership including, but not limited to, minimum levels of income and assets, maximum debt to income ratios, credit scores, etc.



**Section 4. Transfer of Membership.** Except as provided herein, membership shall not be transferable.

(a) Death of Member. If, upon death of a Member, such Member's Share in the Corporation passes by will, trust or intestate distribution to a member of the Member's immediate family, such legatee or distributee may become a Member of the Corporation, subject to approval by the Corporation, execution of a new Occupancy Agreement and payment of all amounts due thereunder within sixty (60) days after Member's death. If the Member dies and an obligation is not assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the Share from the deceased Member's estate in the manner provided in paragraph (b) of this Section, written notice of the death being equivalent to notice of intention to withdraw. If the Corporation does not exercise such option, the provisions of paragraph (c) of this Section shall be applicable, the references to "Member" therein to be construed as references to the legal representative of the deceased Member.

(b) Option of Corporation to Purchase. If the Member desires to leave the Corporation, the Member shall notify the Corporation in writing of such intention and the Corporation shall have an option for a period of thirty (30) days thereafter, but not the obligation, to purchase the membership, together with all the Member's rights with respect to the Dwelling Unit, at an amount representing the transfer value thereof, less any amounts due by the Member to the Corporation. The purchase by the Corporation of the membership will immediately terminate the Member's rights and the Member shall forthwith vacate the premises.

(c) Where Corporation Does Not Exercise Option. If the Corporation has waived its option to purchase the Member's Share of common stock, pursuant to the preceding subparagraph (b), and the Member transfers his/her Share to an approved transferee, then the Member shall be required to pay a transfer fee in an amount that the Corporation shall from time to time determine to be payable by the Member for all expenses incurred in connection with the transfer. When the transferee has been approved for membership by the Board and has executed the prescribed Occupancy Agreement, the retiring Member shall be released of his/her obligations under the Member's Occupancy Agreement, provided the retiring Member has paid all amounts due the Corporation to date.

(d) Transfer Value. Whenever the Corporation elects to purchase a membership as set forth in this Article, the term "transfer value" shall be construed as "market value" and which will be understood to mean the price that a willing buyer, under no requirement to purchase, will pay to a willing seller who is under no requirement to sell. Market Value shall be determined promptly and solely by the Corporation under and pursuant to these guidelines.

**Section 5. Termination of Membership.** In the event the Corporation has, pursuant to the provisions of any Occupancy Agreement, terminated the rights of a Member under said Occupancy Agreement and repossessed the Dwelling Unit, the Member shall be required to deliver promptly to the Corporation such Member's Share certificate and Occupancy Agreement, both endorsed in such manner as may be required by the Corporation. The Corporation shall thereupon at its election either (1) repurchase said membership at its transfer value as determined by the Corporation, or (2) proceed with reasonable diligence to effect a sale of the Member's rights under such membership to a purchaser and at a sale price acceptable to the Corporation.

The retiring Member shall be entitled to receive book value (if the Corporation has exercised election (1) above) or the sales price (if the Corporation has exercised (2) above), but in either case less the following amounts (the determination of such amounts by the Corporation to be conclusive): (a) any amounts due to the Corporation from the Member under the Occupancy Agreement and/or the Governing Documents; (b) the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor polishing and such repairs and replacement as are deemed necessary by the Corporation to place the Dwelling Unit in suitable condition for another occupant; and (c) legal and other expenses incurred by the Corporation in connection with the default of such Member and the resale of his/her stock or failure to vacate the Dwelling Unit.

**Section 6. Authorized Membership.** The authorized membership of the Corporation shall consist of 452 shares of common stock of the following series with the following numbers and par value for each series:

Series	Number
A	16
B	188
C	24
D	143
E	12
F	40
G	8
H	17
I	4

**Section 7. Share Certificates.** Each stock certificate shall state that the Corporation is organized under the laws of the State of California, the name of the registered holder of the shares represented thereby, the number of shares represented by such certificate, and the par value of each share, the Corporation lien rights as against such shares as set forth in these Bylaws, and the preferences and restrictions applicable thereto, and shall be in such form as shall be approved by the Board of Directors. Stock certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to full payment. Every stock certificate shall be signed by the President or Vice President, and the Secretary, and shall be sealed with the corporate seal.

**Section 8. Lost Certificates.** The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the share certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered owner of such lost or destroyed certificate or certificates, or his/her legal representatives, to advertise the same in such manner as the Board of Directors shall require and to give the Corporation a bond or other adequate security

as the Board of Directors may require as indemnity against any claim that may be made against the Corporation. A fee may be charged for the issuance of each new certificate.

**Section 9. Transfer of Membership.** No transfer of membership shall be made upon the books of the Corporation within ten (10) days next preceding the annual meeting of the Members.

**Section 10. Lien.** The Corporation shall have a lien on the shares of the outstanding common stock in order to secure payment of any sums which shall be due from the holders thereof for any reason whatsoever, including any Assessments and any sums due under any Occupancy Agreements.

#### **ARTICLE IV MEETING OF MEMBERS**

**Section 1. Place of Meetings.** Meetings of the membership shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

**Section 2. Annual Meetings of Members.** The annual meetings of the Corporation shall be held on the 2<sup>nd</sup> Thursday of June of each year. At such meeting, there shall be election of a Board of Directors in accordance with Article V of these Bylaws. The Members may also transact such other business of the Corporation as may properly come before them.

**Section 3. Special Meetings of Members.** Special meetings of Members, for any purpose or purposes whatsoever, may be called at any time by the President or by the Board, or by any two or more Directors thereon, or by five percent (5%) or more of the Members. Except, in special cases where other express provision is made by statute or these Bylaws, notice of such special meetings shall be given in the same manner as for annual meetings of Members.

**Section 4. Notice of Annual and Special Meetings of Members.**

(a) Member Meetings at which Secret Ballots to be Tabulated.

(1) Called by the Board. Notice of meetings of the Members at which Members are required to vote on a matter by secret ballot in accordance with Section 5100 of the Act shall be given to Members in accordance with the requirements of Section 5100 et seq. of the Act, which requires, among other things, with regard to elections of Directors, a minimum of thirty (30) days for the nomination of candidates, and, with regard to all matters, notice of secret ballot procedures delivered to Members at least thirty (30) days before the secret ballots are mailed, and secret ballots being delivered to Members not less than thirty (30) days prior to such meeting of Members. Any meeting of Members held for the purposes of recalling one or more Directors shall include the election of Director(s) to fill any vacancies, if the recall is successful.

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(2) Called by Five Percent of Members. When a special meeting is requested by Members pursuant to Section 4 of this Article to vote on a matter required to be voted upon by secret ballot in accordance with Section 5100 of the Act, an authorized officer of the Corporation shall, within twenty (20) days after receipt of such request, send out a notice to the Members fixing a date for such a meeting which is not less than thirty-five (35) nor more than one hundred fifty (150) days after receipt of the request. In addition to complying with the foregoing requirements of the Corporation Code, notice of such meeting of the Members shall be delivered to Members in accordance with the procedures set forth in Section 5100 et seq. of the Act, which requires, among other things, with regard to elections of Directors, a minimum of thirty (30) days for the nomination of candidates, and, with regard to all matters, notice of secret ballot procedures delivered to Members at least thirty (30) days before the secret ballots are mailed, and secret ballots being delivered to Members not less than thirty (30) days prior to such meeting of Members. Any meeting of Members held for the purposes of recalling one or more Directors shall include the election of Director(s) to fill any vacancies if the recall is successful.

(b) Member Meetings at which No Secret Ballot to be Tabulated. Written notice of each meeting of the Members at which no secret ballots shall be tabulated shall be given to each Member entitled to vote, either personally or by mail or other means of written communication permitted by law, charges prepaid, at least ten (10) but not more than ninety (90) days before such meeting, addressed to such Member at such Member's address appearing on the books of the Corporation or such address given by such Member to the Corporation for the purpose of notice.

(c) Content of Notice. Such notice shall specify the place, day and hour of the meeting, and (i) in the case of a special meeting, the purpose of the meeting and that no other business may be transacted except as specified in the notice, or, (ii) in the case of an annual meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to the Members. Furthermore, if action is proposed to be taken at any meeting for approval for any of the following proposals, the notice shall state the general nature of the proposal: (A) removing a Director without cause; (B) filling vacancies in the Board of Directors by the Members; (C) amending the Articles; (D) approving a contract or transaction in which a Director has a material financial interest; or (E) voluntary dissolution of the Corporation.

(d) Notice Deemed Given. Any such notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

## **Section 5. Quorum for Member Meetings.**

(a) Generally. Except as provided in subsection (b), below, the holders of one-third (1/3) of the Shares entitled to vote thereat, present in person, or represented by proxy, shall constitute a quorum at all meetings of the Members for the transaction of business except as otherwise provided by law, by the Articles of Incorporation, or by these Bylaws. If, however, such majority shall not be present or represented at any meeting of the Members, the Members entitled to vote thereat, present in person, or by proxy, shall have the power to adjourn the

meeting from time to time, until the requisite amount of voting shares shall be present. At such adjourned meeting at which the requisite amount of voting Shares shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If a quorum be initially present, the Members may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken is approved by a majority of the Members required to initially constitute a quorum.

(b) Special Quorum Requirement for Assessment Votes. For purposes of any vote by Members to approve an increase in Assessments as provided in Section 5605 of the Act, a “quorum” shall mean Members constituting more than fifty percent (50%) of the voting power of the Corporation.

**Section 6. Validation of Members Meetings.** The transactions of any meeting of Members, however called and noticed, shall be valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, sign a written waiver of notice, or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance shall constitute a waiver of notice, unless objection shall be made as provided in the Corporations Code.

**Section 7. Voting Rights.** Only persons in whose names Shares entitled to vote stand on the stock records of the Corporation on the day of any meeting of Members, unless some other day be fixed by the Board of Directors for the determination of Members of record, and then on such other day, shall be entitled to vote at such meeting. At every meeting of the Members, each Member present, either in person or by proxy, shall have the right to cast one (1) vote on each question and never more than one (1) vote. A membership is represented by one (1) Share. If there are multiple owners of one membership in the Corporation, despite the multiplicity of owners, they shall jointly have only one (1) vote on each question. The vote of the majority of those present, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision by statute or the Articles of Incorporation of these Bylaws, a different vote is required, in which case, such express provision shall govern and control.

**Section 8. Proxies.** Every Member entitled to vote, or to execute consents, may do so, either in person or by written proxy, executed in accordance with the provisions of the Corporations Code and the Act and filed with the Secretary of the Corporation.

**Section 9. Order of Business.** The order of business at all meetings of the members shall be as follows:

- (a) Roll Call
- (b) Proof of Notice of Meeting or Waiver of Notice
- (c) Reading of Minutes of Preceding Meeting
- (d) Report of Officers
- (e) Report of Committees

- (f) Election of Directors and Votes on other Issues on Ballot
- (g) Unfinished Business
- (h) New Business

**Section 10. Shareholders Acting Without a Meeting.** Subject to the Act, any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Members, may be taken without a meeting if done so by written ballot as provided for in the California Corporations Code. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, provide a reasonable time within which to return the ballot to the Corporation and specify the time by which the ballot must be received in order to be counted. Such ballot shall also indicate the number of responses needed to meet the quorum requirement and, with respect to ballots, shall state the percentage of approvals necessary to pass the measure submitted. Approval by written ballot pursuant to this Section shall be valid only when (i) the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and (ii) the number of approvals equals or exceeds the number of votes that would be required to approve the measure at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. If, by the time specified by the Board for return of the ballots, the Board has not received sufficient ballots to constitute a quorum, the Board may, in good faith and in the exercise of its discretion, extend the time fixed for the return of written ballots only if the Board so notifies the Members in the balloting solicitation materials originally sent to the Members and then the Board notifies the Members of such extension before the expiration of the deadline, and then for no more than two (2) successive periods of sixty (60) days each. No written ballot may be revoked.

**Section 11. Organization.** The President, or in the absence of the President, any Vice President, shall call the meeting of the Members to order, and shall act as chairman of the meeting. In the absence of the President and all of the Vice Presidents, Members shall appoint a chairman for such meeting. The Secretary of the corporation shall act as a Secretary of all meetings of the Members, but in the absence of the Secretary at any meeting of the Members, the presiding officer may appoint any person to act as Secretary of the meeting.

**Section 12. Voting by Secret Ballot Required on Certain Issues; Election Rules; Optional Voting by Secret Ballot.**

(a) Secret Ballot Vote Required. As long as required by California law, the election and removal of the directors by the Members and voting by the Members to approve Assessments, the granting of the exclusive use of Common Area to a Member or to approve amendments to the Corporation's Bylaws and Articles shall be by secret ballot in accordance with the procedures set forth in the Act.

(b) Elections. The term "election" shall mean and refer to any meeting at which the secret ballots shall be tabulated for any of the topics enumerated in subsection (a), above.

(1) Election and Removal of Directors. Subject to subsection (c), below, as long as required by the Act:

(i) The Corporation shall provide general notice of the procedure and deadline for submitting a nomination at least thirty (30) days before any deadline for submitting a nomination. Individual notice shall be delivered pursuant to Section 4040 if individual notice is requested by a Member.

(ii) The Corporation shall provide general notice of all of the following at least thirty (30) days before the secret ballots are distributed in connection with the election or recall of directors:

(A) The date and time by which, and the physical address where, ballots are to be returned by mail or handed to the inspector or inspectors of elections.

(B) The date, time, and location of the meeting at which ballots will be counted.

(C) The list of all candidates' names that will appear on the ballot (if applicable).

(D) Individual notice of the above paragraphs shall be delivered pursuant to Section 4040 if individual notice is requested by a member.

(iii) The Corporation shall require the inspector or inspectors of elections to deliver, or cause to be delivered, at least thirty (30) days before an election, to each Member both of the following documents:

(A) The secret ballot or ballots.

(B) A copy of the Corporation's election rules.

Delivery of the election operating rules may be accomplished by either of the following methods: (A) posting the election operating rules to an internet website and including the corresponding internet website address on the ballot together with the phrase, in at least 12-point font: "The rules governing this election may be found here (insert website address):"; or (B) individual delivery.

(2) All Other Elections (e.g. Assessments, Amendments, Grants of Exclusive Use Common Area).

(i) The Corporation shall require the inspector or inspectors of elections to deliver, or cause to be delivered, at least thirty (30) days before an election, to each Member both of the following documents:

(A) The secret ballot or ballots.

(B) A copy of the Corporation's election rules.

Delivery of the election operating rules may be accomplished by either of the following methods: (A) posting the election operating rules to an internet website and including the corresponding

internet website address on the ballot together with the phrase, in at least 12-point font: “The rules governing this election may be found here (insert website address):”; or (B) individual delivery.

(c) Election of Directors by Acclamation. The Corporation may elect directors via the acclamation process set forth in Section 5103 of the Act.

(d) Election Rules. The Board shall adopt election rules in accordance with Section 5100 et seq. of the Act. Such election rules shall not prohibit the denial of a ballot to a Member for any reason other than not being a Member at the time when ballots are distributed, prohibit the denial of a ballot to a person with general power of attorney for a Member and shall require the ballot of a person with general power of attorney for a Member to be counted if returned in a timely manner. Election rules shall not be amended less than ninety (90) days prior to an election.

(e) Secret Ballot Vote Optional. The Corporation may, but is not obligated to, vote by secret ballot on any other topic which requires the vote of the Owners.

## **ARTICLE V DIRECTORS**

### **Section 1. Number; Qualifications and Term.**

(a) Number. The affairs of the Corporation shall be governed by the Board of Directors composed of seven (7) persons. The number of Directors may be increased or decreased from time to time by an amendment to these Bylaws.

(b) Qualifications.

(vi) Candidates. All candidates for election to the Board must be Members of the Corporation. Additionally, no Member may be a candidate if the person:

(1) Is delinquent by more than thirty (30) days in the payment of any Regular or Special Assessment levied by the Corporation (but not for nonpayment of monetary penalties, monetary penalties renamed as Assessments, collection charges, late charges, or costs levied by a third party). A Member person shall not be disqualified for failure to be current in payment of Regular and Special assessments if either of the following circumstances is true: (1) the Member has paid the Regular or Special Assessment under protest pursuant to Section 5658 of the Act; or (2) the Member has entered into a payment plan pursuant to Section 5665 of the Act;

(2) If the candidate discloses, or if the Corporation is aware or becomes aware of, a past criminal conviction that would either prevent the Corporation from purchasing the fidelity bond coverage required by Section 5806 of the Act should the person be elected or terminate the Corporation’s existing fidelity bond coverage as to that person should the person be elected; or



(3) If elected, would be serving on the Board at the same time as another person who holds a joint ownership interest in the same Share as the person and the other person is either properly nominated for the current election or an incumbent Director. The Corporation shall not disqualify a Member from nomination if the Member has not been provided the opportunity to engage in internal dispute resolution pursuant to Section 5900 et seq. of the Act.

(vii) Board Members. Board members shall meet the qualifications set forth in Section 1(b)(1), above. No person may continue to serve as a member of the Board if properly removed in Section 3(c)(2), if such person fails to meet any of the qualifications set forth in subsection 1(b)(1), above.

(viii) Changes in Qualifications. In the event that the Act no longer limits the qualifications to serve on the Board or otherwise permits the adoption of additional or different qualifications to serve on the Board, the Board shall have the authority to adopt additional or different qualifications in the Corporation's election Rules and Regulations consistent with the Act.

(c) Term. Each Director shall serve for a term of one (1) year. Each Director shall hold office until a successor is elected or until such Director resigns or is removed.

**Section 2. Powers and Duties of Corporation**. Subject to the provisions of the Corporations Code, the Act and these Bylaws, the business and affairs of this Corporation shall be managed by and all corporate powers shall be exercised by or under the direction of the Board of Directors. Each Director shall exercise such powers and otherwise perform such duties in good faith, in the manner such Director believes to be in the best interest of the Corporation, and with such care, including reasonable inquiry, using ordinary prudence, as a person in a like position would use under similar circumstances. The powers of the Board of Directors shall include, but not be limited:

(a) Membership/Occupancy. To accept or reject any and all applications for membership and admission to occupancy of a Dwelling Unit in the Development, either directly or through an authorized representative, and to determine rights of occupancy of a Dwelling Unit by persons pursuant to the qualifications set forth in Civil Code Section 51.3.

(b) Assessments.

(1) To establish monthly carrying charges (aka Regular Assessments) prescribed in the Occupancy Agreement, based on an annual operating budget formally adopted by such Board; and, collect the same from Members.

(2) To establish Special Assessments from time to time as may be necessary in connection with the Corporation's fulfillment of its obligations under the Articles, these Bylaws and the Act.

(3) To collect any delinquent Assessments in the manner provided by the Occupancy Agreements and the Act.

(c) Rules. To promulgate such rules and regulations pertaining to use and occupancy of the Dwelling Units and the common area as may be deemed proper and which are consistent with these Bylaws and the Articles of Incorporation.

(d) Enforcement. To enforce the applicable provisions of the Governing Documents.

(e) Payment of Taxes. To pay taxes and assessments that are, or could become, a lien on the Common Area or a portion thereof.

(f) Insurance. To contract for casualty, liability, and other insurance on behalf of the Corporation in accordance with the Act.

(g) Goods and Services for Common Area. To contract for goods and services for the Common Area, facilities, and interests of the Corporation.

(h) Delegation. To delegate its powers to any committees, officers, or agents of the Corporation that are expressly authorized by the Governing Documents.

(i) Financial Disclosures. To prepare and distribute budgets, financial statements and annual disclosures and notices for the Corporation as prescribed in the Act.

(j) Discipline. To initiate and execute disciplinary and termination proceedings against Members for violations of provisions of the governing documents in accordance with procedures set forth in the Governing Documents. Disciplinary action may include, after notice and a hearing, the suspension of a Member's Common Area privileges (other than the right of ingress and egress to the Member's Dwelling Unit) and, to the extent permitted by law, a Member's voting rights, for the period during which any Assessment, including any monetary penalty against such Member's Share, remains unpaid and delinquent, and, for a period not to exceed thirty (30) days, or for as long as the violation continues for any other infraction of these Bylaws, the Occupancy Agreement or the published Rules or Regulations of the Corporation committed by any Member and/or persons living in or visiting the Member's Dwelling Unit, and imposing a monetary penalty on any Member in such amounts as determined by the Board and as more fully described in a schedule of monetary penalties set forth in the Rules and Regulations adopted and amended by the Board from time to time, for the failure to comply with and/or for any violation of the Corporation's Governing Documents committed by such Member and/or persons living in or visiting the Member's Dwelling Unit.

(k) Entry into Dwelling Unit.

(1) To enter any Dwelling Unit under the following circumstances:

(i) In case of emergency.

(ii) To conduct preventative maintenance inspection.

(iii) To make necessary or agreed repairs, decorations, alterations, or improvements.

(iv) To supply necessary or agreed services.

(v) Pursuant to court order.

(2) The Corporation shall give Members forty-eight (48) hours' notice of the Corporation's intent to enter the Dwelling Unit, (except in the case of emergency). The Corporation, and the Corporation's agents and employees, shall enter a Dwelling Unit only during normal business hours, except (A) in cases of emergency, (B) if the tenant has abandoned or surrendered the Dwelling Unit or (C) if it is impractical to do so. If the tenant has abandoned or surrendered the Dwelling Unit, the Corporation may:

(i) Exhibit the Dwelling Unit to prospective or actual purchasers, mortgagees, tenants, repair personnel, or contractors.

(ii) Conduct an inspection of fixtures, pipes and appliances if the Corporation reasonably believes that a Dwelling Unit has not been occupied for six (6) months.

(l) Resolution of Disputes. To perform any act reasonably necessary to resolve, if possible, any civil claim or action through alternative dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration proceedings as provided for in the Act.

(m) Termination of Membership. To terminate membership and occupancy rights for cause as set forth in these Bylaws and the Occupancy Agreement.

**Section 3. Election; Removal and Vacancies.** Commencing with the first annual meeting of the members, the term of office of Directors shall be for a period of one year. The Directors shall hold office until their successors have been elected and hold their first meeting.

(a) Election; Acclamation; No Write-Ins.

(1) Secret Ballot. As long as required by California law, and except as provided in subsection (iii) below, the election of the Directors by the Members shall be by secret ballot. In the event that California law no longer requires voting for the election of Directors by secret ballot, the voting for the election of Directors shall occur in person or by proxy at the annual meeting of the Members.

(2) Ballot Counting; Acclamation. The secret ballots for the election of Directors shall be counted and tabulated by the inspector(s) of election in public at a properly noticed annual meeting of the Members in accordance with Section 5100 of the Act, except that if the number of qualified candidates is not more than the number of vacancies to be elected, Directors may be elected by acclamation if the procedures therefor set forth in Section 5103 of the Act have been satisfied.

(3) Write-Ins; Nominations from Floor. Write-in candidates and nominations from the floor of the meeting are prohibited.

(b) Cumulative Voting. To the extent permitted by law, the election of Members to the Board shall be by cumulative voting as described herein. All Owners shall have the right to cumulate their votes for candidates in nomination. Under cumulative voting, each Owner may give a single candidate the number of votes equal to the number of Directors to be elected, multiplied by the number of votes the Owner is entitled to exercise under these Bylaws, or the Owner may distribute the cumulated votes among any two (2) or more candidates as the Owner desires. The candidates receiving the highest number of votes up to the number of Board Members to be elected shall be elected.

(c) Removal.

(1) By Vote of Members. As long as required by California law, the vote of the Members to remove Directors shall be by secret ballot. The secret ballots for the removal of Directors shall be counted and tabulated by the inspector(s) of election in public at a properly noticed open meeting of the Members at which a quorum is present called to tabulate the vote on the removal. The entire Board may be removed from office, with or without cause by a majority of the voting power. However, unless the entire Board is removed by a vote of the Members, an individual Director may not be removed prior to the expiration of his or her term, if the votes against his or her removal would have been sufficient to elect that Director if cast cumulatively at an election at which the same total number of votes were cast and all Directors authorized at the time of the most recent election of that Director were being elected. In the event that California law no longer requires voting for the removal of Directors by secret ballot, the voting for the removal of Directors shall occur in person or by proxy at a duly noticed meeting of the Members.

(2) By Board. If any member of the Board fails to meet the qualifications for Board membership set forth in Article IV, Section 5.1(b)(i) above, the Board may, by action taken at a Board meeting, declare the office of said non-qualifying Director to be vacant and thereby remove such Director from office.

(d) Vacancies.

(1) Creation. A vacancy or vacancies shall be deemed to exist in any of the following events:

(i) Removal by Members. A vacancy shall exist in case of the death of a Director or removal of any Director by the vote of the Members.

(ii) Death or Resignation. A vacancy shall exist upon the death of a Director. A vacancy shall also exist if a Director resigns from the Board. A Director may resign upon giving written notice to the President or to the Secretary or to the Board. Such resignation shall take effect on the date of the receipt of the notice or at any later time specified in the notice, and unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective. In the case of a notice of resignation of a Director tendered

to take effect at a future time, the Board shall have the power to elect a successor to take office when the resignation shall become effective.

(iii) By Board Vote. A vacancy shall exist if the Board has voted to declare vacant the office of a Director pursuant to Section 3(c)(2), above, if the Members shall increase the authorized number of Directors, but shall fail at the meeting at which such increase is authorized or at any adjournment thereof to elect the additional Directors so provided for, or in the event the Members fail at any time to elect the full number of authorized Directors.

(2) Filling of Vacancies. A vacancy created by removal of a Director by the Members can be filled only by election of the Members by secret ballot for so long as California law requires the election of Directors by secret ballot, or if California law no longer requires the election of Directors by secret ballot, at a duly called meeting of the Members at which a quorum is present. All other vacancies in the Board may be filled by a majority vote of the remaining Directors present at a duly called Board meeting even if the number of remaining Directors is less than a quorum. Each Director elected or appointed to fill a vacancy shall meet the qualifications set forth in Sections 1(b)(1), above, and shall hold office for the remainder of the unexpired term of such Director's predecessor. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting.

**Section 4. Compensation**. No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director for services performed by him/her for the Corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. A Director may not be an employee of the Corporation.

**Section 5. Organization Meeting (Board Meeting Following Election)**. Immediately following any meeting of the Members at which votes for the election of Directors are tabulated, the Board may, by separate notice sent in accordance with the Act, hold a special meeting of the Board at the same location for the purpose of electing officers and transacting such other business as the Board deems appropriate as set forth in the notice of meeting. In no event shall such meeting to elect officers be held later than ten (10) days following such election.

**Section 6. Regular Meetings of the Board**. Other regular meetings of the Board shall be held at least monthly at such date and time as may be fixed from time to time by resolution of the Board, provided that such date does not fall on a legal holiday, and provided that the review requirements of financial documents as set forth in Section 5500 of the Act and Section 6.1 of these Bylaws are met. The Board of Directors shall have the authority, upon its determination, to cancel a future regular meeting of the Board of Directors in advance of the time of such meeting, upon a determination of the Board of Directors that said meeting is unnecessary.

**Section 7. Special Meetings of the Board.** Special meetings of the Board may be called at any time by the President or, if he is absent or unable or refuses to act, by any Vice President, or the Secretary or by any two Directors, or by one Director if only one is in office.

**Section 8. Notice of Board Meetings to Members and Board Members.**

(a) Timing and Method of Delivery of Notice to Members.

(1) Regular and Special Board Meetings. Except for executive session Board meetings and emergency Board meetings as provided for in the Sections in this Article entitled “Executive Session” and “Emergency Meeting”, respectively, below, notice of the time and place of all Board meetings shall be given to Members not less than four (4) days prior to the meeting; provided, however notice for adjourned meetings shall be pursuant to Section 9, below, and no notice shall be required for emergency meetings as provided below.

(2) Executive Session Board Meetings. Except for an emergency executive session Board meeting, Members shall be given notice of the time and place of a Board meeting that will be held solely in executive session at least two (2) days prior to the meeting.

(3) Method. Notice of a Board meeting shall be given to Members by general delivery or general notice in accordance with Section 4045 of the Act, and shall be sent by individual delivery to any Member who has requested notification by individual delivery.

(b) Timing and Method of Delivery to Board. Notice of Board meetings shall be given to each Board member not less than four (4) days prior to the meeting by first class mail, postage prepaid, or forty-eight (48) hours’ notice delivered personally or by telephone (either directly to the Director or to a person at the Director’s office who would reasonably be expected to communicate such notice promptly to the Director), by facsimile, or electronic mail. The notice shall be given or sent to the Director’s address, or telephone number, facsimile number or electronic mail address as shown on the records of the Corporation. Notice of any meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

(c) Content of Notice of Board Meetings. The notice shall specify the date, time and place of the meeting and the nature of any special business to be considered and shall include an agenda.

(d) Entry of Notice. Whenever any Director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall be made.

(e) Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice, if (i) a quorum is present, and (ii) either before or after the meeting, each of the Directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof, or as to an individual

Director, such Director attends the meeting and does not protest, prior to the meeting or at its commencement, the lack of notice to such Director. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

**Section 9. Adjournment of Board Meetings.** A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place; provided, however, any Board meeting called for the purpose of tabulating secret ballots in accordance with the Act may not be adjourned. If the meeting is adjourned for more than twenty-four (24) hours, notice of an adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of adjournment and to the Members by general delivery.

**Section 10. Board Action Outside of Meeting.** The Board shall not take action on any item of business outside of a meeting except as provided in the Act. “Item of business” means any action within the authority of the Board, except those actions that the Board has validly delegated to any other person or persons, managing agent, officer of the Corporation, or committee of the Board comprising less than a majority of the Directors. .

**Section 11. Place of Meetings; Teleconference.** All meetings of the Board shall be held at any place within the Development; provided, however, if a larger meeting room than exists within the Development is required, the Board shall select a room as close as possible to the Development or the office of the Corporation’s manager, if any. Board members may participate in a meeting through the use of a teleconference in which a majority of the members of the Board, in different locations, are connected by electronic means, through audio or video or both. Except for a meeting that will be held solely in executive session, and subject to the Section entitled “Emergency Powers and Procedures Regarding Meetings” below, the notice of the teleconference meeting shall identify at least one physical location so that Members of the Corporation may attend and at least one member of the Board of Directors or a person designated by the Board shall be present at that location. Participation by Board members in a teleconference meeting constitutes presence at that meeting as long as all Board members participating in the meeting are able to hear one another and Members of the Corporation speaking on matters before the Board. The portion of a teleconference meeting that is open to Members shall be audible to the Members at the location specified in the notice of the meeting. A teleconference meeting shall be conducted in a manner that protects the rights of Members of the Corporation.

**Section 12. Quorum.** At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. A meeting at which a quorum is present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

**Section 13. Directors and Officers’ Insurance; Fidelity Bonds.**

(a) **Directors and Officers.** The Corporation shall maintain Directors and officers liability insurance in the minimum amounts required by the Act. Such Directors and

officers liability coverage shall: (1) be written on a “claims-made” basis with no retro date to cover prior acts, errors or omissions; (2) include coverage for committee members, volunteers and the manager, and (3) provide coverage for both monetary and non-monetary claims.

(b) Fidelity Insurance. The Corporation shall maintain crime insurance, employee dishonesty coverage, fidelity bond coverage, or their equivalent, for its Directors, officers, and employees in an amount that is equal to or more than the combined amount of the reserves of the Corporation and total Assessments for three months. The coverage maintained by the Corporation shall also include protection in an equal amount against computer fraud and funds transfer fraud. If the Corporation uses a Manager, the Corporation’s crime insurance, employee dishonesty coverage, fidelity bond coverage, or their equivalent, shall additionally include coverage for, or otherwise be endorsed to provide coverage for, dishonest acts by that person or entity and its employees. Self-insurance does not meet the requirements of this Section.

(c) General Liability Insurance. The Corporation shall maintain the minimum amounts of general liability insurance required by the Act.

(d) Other Insurance. The Corporation may maintain such other insurance as determined by the Board.

**Section 14. Committees**. The Board may, in its discretion, appoint any committees which it deems appropriate in carrying out its purposes, including, but not limited to an executive committee in accordance with the provisions of Corporations Code Section 311. The purpose of all committees shall be to assist (i) the Board of Directors in the development of policies, (ii) in the oversight and assessment of the Corporation’s policies, and (iii) in the management of the Corporation. Committees shall act in an advisory capacity with the final decision in each instance shall be with the Board, and no committee shall be assigned, delegated, or chartered in any manner that would authorize it to take final action in the name of the Corporation, except for an executive committee. Committees of the Board shall not have authority to direct contractors, agents, or officers of the Corporation, except if, and to the extent, specifically authorized by the Board in writing.

**Section 15. Executive Session**. The Board may meet in executive session to discuss and vote upon personnel matters, formation of contracts, litigation in which the Corporation is or may become involved, disciplinary matters or to meet with a Member, upon a Member’s request, regarding the Member’s payment of Assessments. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting of the Board of Directors that is open to the entire membership. The Board shall meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member affected shall be entitled to attend the portion of the executive session meeting which is for a hearing or discussion with such Member. The Board shall have the right to deliberate on such issue without the Member. The Board may hold an executive session emergency meeting if circumstances require, as authorized by this Article. Members may not attend executive session meetings of the Board except as provided above, or if invited by the Board in its sole discretion.



**Section 16. Emergency Meetings.** An emergency meeting of the Board of Directors 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 that require immediate attention and possible action by the Board, and that of necessity make it impracticable to provide the notices required by this Article. Notice to Members of an emergency meeting is not required. Electronic transmissions may be used as a method of conducting an emergency meeting if all members of the Board, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the next regular or executive session meeting of the Board, as may be appropriate. Written consent to conduct an emergency meeting may be transmitted electronically.

**Section 17. Member Attendance at Meetings and Executive Sessions.** Regular and special meetings of the Board shall be open to all Members of the Corporation. The Board shall permit any Member of the Corporation to speak at any meeting of the Corporation or the Board, except for a meeting of the Board held in executive session. A reasonable time limit for all Members of the Corporation to speak to the Board or before a meeting of the Corporation shall be established by the Board. Only Board members shall be entitled to attend executive sessions, except as provided in this Article with respect to a Member discipline, upon a Member's request, regarding the payment of Assessments, or if invited by the Board in its sole discretion.

**Section 18. Emergency Powers and Procedures Regarding Meetings.**

(a) Applicability. Pursuant to Section 5450 of the Act, this Section shall only apply if gathering in person is unsafe or impossible because the Corporation is in an area affected by one or more of the following conditions: (1) a state of disaster or emergency declared by the federal government; (2) a state of emergency proclaimed by the Governor under Section 8625 of the Government Code; or (3) a local emergency proclaimed by a local governing body or official under Section 8630 of the Government Code, the following shall apply with regard to meetings.

(b) Without Physical Location. Notwithstanding any other governing document or law, except as provided in subsection (d), below, a Board meeting or meeting of the Members may be conducted entirely by teleconference, without any physical location being held open for the attendance of any Director or Member, if all of the following conditions are satisfied:

(1) Notice of the first meeting that is conducted under this Section for a particular disaster or emergency affecting the Corporation is delivered to Members by individual delivery.

(2) The notice for each meeting conducted under this section includes, in addition to other required content for meeting notices, all of the following:

(i) Clear technical instructions on how to participate by teleconference.

(ii) The telephone number and electronic mail address of a person who can provide technical assistance with the teleconference process, both before and during the meeting.

(iii) A reminder that a Member may request individual delivery of meeting notices, with instructions on how to do so.

(3) Every Director and Member has the same ability to participate in the meeting that would exist if the meeting were held in person.

(4) Any vote of the Directors shall be conducted by a roll call vote.

(5) Any person who is entitled to participate in the meeting shall be given the option of participating by telephone.

(c) Address. If, as a result of the disaster or emergency, mail delivery or retrieval is not possible at any Corporation onsite address and the address on file with the Corporation for that Member is the same Corporation onsite address, then the Corporation shall send the notice of the first meeting referenced in subsection (b)(1), above, to any email address provided to the Corporation by that Member, in writing, pursuant to Section 4040(a) or Section 4041(b) of the Act.

(d) Exception for Tabulation of Secret Ballots. Subsection (b), above, does not apply to a meeting at which ballots are counted and tabulated pursuant to Section 5120 of the Act, unless both of the following conditions are met:

(1) The meeting at which ballots are to be counted and tabulated is conducted by video conference.

(2) The camera is placed in a location such that Members can witness the inspector of elections counting and tabulating the votes.

## **ARTICLE VI OFFICERS**

**Section 1. Designation.** The officers of the Corporation shall be a President, a Vice-President, a Secretary, a Chief Financial Officer and such other officers as the Board may deem necessary. Any person may hold more than one (1) office, provided that no one (1) person may be both the President and Secretary of this Corporation. All officers must be Directors.

**Section 2. Election of Officers.** The officers shall be chosen by a majority vote of the Directors.

**Section 3. Term; Removal of Officers.** The officers shall hold office at the discretion of the Board. Any officer may be removed from office (but not from the Board if the officer is also a Board member) by the Board without cause at any time. Any officer may resign

at any time by giving written notice to the Board, the President or the Secretary. The resignation shall take effect on the date of receipt of the notice or at any later time specified in the notice, and, unless otherwise specified, acceptance of the resignation shall not be necessary to make it effective. Any vacancy in any office may be filled by a majority vote of the Board.

**Section 4. President.** The President shall be the chief executive officer of the Corporation. The President shall preside at all meetings of the members and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including but not limited to the power to appoint committees from among the membership from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Corporation.

**Section 5. Vice President.** The Vice President shall take the place of the President and perform the President's duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him or her by the Board of Directors.

**Section 6. Secretary.** The Secretary shall keep, or cause to be kept, the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Corporation. The Secretary shall have custody of the seal of the Corporation. The Secretary shall also have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all the duties incident to the office of Secretary.

**Section 7. Chief Financial Officer.** The Chief Financial Officer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. The Chief Financial Officer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

## **ARTICLE VII AMENDMENTS**

**Section 1. Amendments.** These Bylaws may be amended by the secret ballot vote of not less than a majority of the voting power of the Corporation. Any amendment shall become effective immediately upon approval by the Members. The Secretary of the Corporation shall certify adoption of any duly approved amendment to the Bylaws and copy of said certificate and the amendment shall be kept with the other records and books of the Corporation

**Section 2. Record of Amendments.** Whenever an amendment or new Bylaw is adopted, it shall be copied in the book of Bylaws with the original Bylaw, in the appropriate place. If any Bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in said book.

**ARTICLE VIII  
CORPORATE SEAL**

**Section 1. Seal.** The Board of Directors shall provide a suitable corporate seal containing the name of the Corporation, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Chief Financial Officer or any Assistant Secretary or Assistant Chief Financial Officer.

**ARTICLE IX  
FISCAL MANAGEMENT**

**Section 1. Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January every year, except that the first fiscal year of the Corporation shall begin at the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

**Section 2. Books and Records; Inspection.**

(a) Generally. The Corporation shall maintain, in accordance with generally accepted accounting principles, adequate and correct accounts, books and records of its business and properties. All of such books, records and accounts shall be kept at its principal executive office in the State of California, as fixed by the Board of Directors from time to time.

(b) Inspection of Corporation's Books and Records.

(1) By Members. Members shall have the right to inspect the Corporation's membership register, books and records, and minutes of meetings of the Owners, of the Board and of committees of the Board as may be permitted by California law, including, but not limited to the Act. Board minutes, proposed minutes, or a draft or summary thereof (other than those from an executive session), shall be available to Members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the costs in making that distribution. Notwithstanding anything to the contrary, a Member's right of inspection shall not include the right to inspect minutes of executive session Board meetings or any documentation protected by the attorney-client privilege.

(2) By Directors. Every Director shall have the absolute right at any reasonable time to inspect, including the right to make extracts and copies of, all books, records and documents of the Corporation and the physical properties owned or controlled by the Corporation, provided, however, that the Board may limit the right of any Director to review ballots and proxies pertaining to an election in which the Director was a candidate or Corporation records wherein the Director is a party to an action adverse to the Corporation.

(3) Procedures. The Board shall establish reasonable rules with respect to: (i) notice to be given to the custodian of the records by the Owner desiring to make the inspection; (ii) hours and days of the week when such an inspection may be made; and (iii)

payment of the cost of reproducing copies of documents requested by an Owner in accordance with applicable California law.

(c) **Retention and Inspection of Election Materials.** The sealed (or, after tabulation, returned) ballots, signed voter envelopes, voter list, proxies, and candidate registration list shall at all times be in the custody of the inspector or inspectors of elections or at a location designated by the inspector or inspectors until after the tabulation of the vote, and until the time allowed by Section 5145 of the Act for challenging the election has expired, at which time custody shall be transferred to the Corporation. The candidate list shall include the name and address of individuals nominated as candidates. The voter list shall include the name, voting power, and address of each Member's Dwelling Unit. If there is a recount or other challenge to the election process, the inspector or inspectors of elections shall, upon written request, make the ballots available for inspection and review by a Corporation Member or the Member's authorized representative. Any recount shall be conducted in a manner that preserves the confidentiality of the vote..

**Section 3. Execution of Corporate Documents.** With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the Corporation by either the President or Vice President, and all checks shall be executed on behalf of the Corporation by (1) either the President or Vice President, and countersigned (2) by either the Secretary or Chief Financial Officer.

**Section 4. Annual Report.** The Board of Directors shall cause an annual report or statement to be sent to the Shareholders of this Corporation not later than 120 days after the close of the fiscal or calendar year in accordance with the provisions of the Corporations Code. Such report shall contain a balance sheet as of the end of the fiscal year, an income statement and a statement of changes in financial position for such fiscal year, accompanied by any report thereon of an independent accountant, or if there is not such report, a certificate of the Chief Financial Officer or President that such statements were prepared without audit from the books and records of the Corporation.

**Section 5. Monthly Review of Financial Documents.** In accordance with Section 5500 of the Act, the Board shall do all of the following: (a) review, on a monthly basis, a current reconciliation of the Corporation's operating accounts; (b) review, on a monthly basis, a current reconciliation of the Corporation's reserve accounts; (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 Corporation has its operating and reserve accounts; (e) review, on a monthly basis, an income and expense statement for the Corporation's operating and reserve accounts; and, (f) review, on a monthly basis, the check register, monthly general ledger, and delinquent assessment receivable reports. The review requirements of Section 5500 of the Act may be met when every individual member of the Board, or a subcommittee of the Board consisting of the Chief Financial Officer and at least one other Board member, reviews the documents and statements described in Section 5500 independent of a Board meeting, so long as the review is ratified at the Board meeting subsequent to the review and that ratification is reflected in the minutes of that meeting.

**Section 6. Annual Budget Report, Annual Policy Statement Prior to End of Fiscal Year.** Within thirty (30) to ninety (90) days before the end of its fiscal year, the Corporation shall cause to be prepared and distributed to the Members the annual budget reports and annual policy statements as set forth in Section 5300 et seq. of the Act. Upon receipt of a request by a Member identifying a secondary email or mailing address for delivery of notices, pursuant to Section 5260 of the Act, the Corporation shall deliver an additional copy of such report/statement to the secondary address.

**Section 7. Annual Review of Financial Statement by Licensed Professional.** A review of the financial statement of the Corporation shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the Corporation exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of the review of the financial statement and any information required to be reported under Corporations Code Section 8322, as the same may be amended from time to time shall be distributed within one hundred twenty (120) days after the close of the fiscal year.

**Section 8. Reserve Studies; Reserve Account Management.**

(a) **Reserve Study.** In accordance with the Act, at least once every three (3) years the Board shall cause a study of the reserve account requirements of the Development to be conducted, including a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Corporation is obligated to repair, replace, restore or maintain, if the current replacement value of said major components is equal to or greater than one-half (1/2) of the gross budget of the Corporation, excluding the Corporation's reserve account for that period. The Board shall review this 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. The study required by this Section shall, at a minimum, contain the information required by the Act.

(b) **Expenditure of Reserve Funds.** The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of the major components which the Corporation is obligated to repair, restore, replace, or maintain and for which the reserve fund was established, or litigation involving the major components. However, the Board may authorize the temporary transfer of money from a reserve fund to the Corporation's general operating fund to meet short-term cash-flow requirements or other expenses if the Board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided as specified in the Act. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. If the Board authorizes the transfer, the Board shall issue a written finding, recorded in the minutes of the Board meeting, explaining the reason that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Development, delay the restoration until the time which the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal

management in maintaining the integrity of the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this Section. This Special Assessment is subject to the limitation imposed by the Act. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment. When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Corporation shall notify the Members of the Corporation of that decision in the next available mailing to all Members pursuant to Corporations Code Section 5016, as the same may be amended from time to time, and of the availability of any accounting of those expenses. Unless the Corporation's governing documents impose more stringent standards, the Corporation shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members of the Corporation at the Corporation's office.

(c) Signatures Required. At least two (2) signatures shall be required for the withdrawal of monies from the Corporation's reserve accounts; signatures shall be those of two (2) members of the Board.

#### **Section 9. Annual Notice to Corporation.**

(a) Member Duty to Provide Information. A Member shall, on an annual basis, provide written notice to the Corporation of all of the following:

(ix) The Member's preferred delivery method for receiving notices from the Corporation, which shall include the option of receiving notices at one or both of the following: (A) a mailing address, and/or (B) A valid email address.

(x) An alternate or secondary delivery method for receiving notices from the Corporation, which shall include the option to receive notices at one or both of the following: : (A) a mailing address, and/or (B) A valid email address.

(xi) The name, mailing address, and, if available, valid email address of the Owner's legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the Member's extended absence from the separate interest.

(xii) Whether the separate interest is owner-occupied, is rented out, if the parcel is developed but vacant, or if the parcel is undeveloped land.

(b) Corporation Solicitation of Information. The Corporation shall solicit the annual notices described in subsection (a), above, of each Owner, and, at least thirty (30) days before making its own required disclosure under Section 5300 of the Act, shall enter the data into its books and records. The Corporation shall include in the solicitation required by subsection (a)(i) both of the following: (1) notification that the Member does not have to provide an email address to the Corporation; and (2) a simple method for the Member to inform the Corporation in writing that the Member wishes to change their preferred delivery method for receiving notices from the Corporation.

**ARTICLE X  
MISCELLANEOUS**


**Section 1. References to Code Sections.** All references to Sections or Code Sections in these Bylaws relate to the General Corporation Law for the State of California, effective January 1, 1977, as amended, unless required by the Act to include references to the California Nonprofit Mutual Benefit Corporation laws.

**Section 2. Indemnity.** The Corporation may indemnify any Director, officer, agent, or employee as to those liabilities and on those terms and conditions as are specified in the Corporations Code. In any event, the Corporation shall have the right to purchase and maintain insurance on behalf of any such persons, whether or not the Corporation would have the power to indemnify such person against the liability insured against.

**Section 3. Electronic Communication.** In order to help preserve Corporation resources and facilitate timely communications, to the fullest extent possible, the Corporation intends to make e-mail the primary means of communication between the Corporation and Members who have consented to such method of delivery. A Member's consent to electronic communication may be revoked, in writing, by such Member.

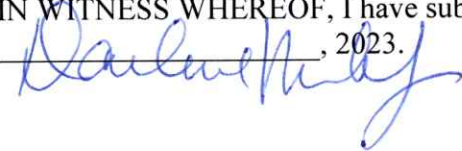
Executed this 13 day of JULY, 2023.

SEAL BEACH MUTUAL NO. TWELVE

By:   
\_\_\_\_\_  
President

I, the undersigned and duly elected and acting Secretary of Seal Beach Mutual No. Twelve, do hereby certify:

That the within Bylaws were adopted on the 13 day of July, 2023, and that the same replaces any previous Bylaws of the Corporation and now constitutes the entire set of Bylaws of the said Corporation.

IN WITNESS WHEREOF, I have subscribed my name this 13 day of  
, 2023.