

AMENDED AND RESTATED

BYLAWS

OF

COLFAX ARDMORE COOPERATIVE ESTATES, INC.

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ARTICLE I. GENERAL PROVISIONS

Section 1.01. **Name.** The name of the corporation is Colfax Ardmore Cooperative Estates, Inc. ("Association").

Section 1.02. **Principal Office.** The principal office of the Association is located at 4353 Colfax Avenue, Studio City, California. The Board of Directors is hereby granted full power and authority to change the principal office of the Association from one location to another in the County of Los Angeles, California. Any such change shall be noted by the Secretary in these Bylaws, but shall not be considered an amendment of these Bylaws.

Section 1.03. **Application.** These Bylaws are applicable to the stock cooperative housing development known as Colfax Ardmore Cooperative Estates ("Development"), located in Los Angeles County, California, and which is be a common interest development subject to the Davis-Stirling Common Interest Development Act (California Civil Code Section 1350 et seq.). These Bylaws are also applicable to all Members of the Association and all tenants, employees, and other persons who use the facilities of the Development in any manner.

Section 1.04. **Definitions.**

"Apartment" 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 Colfax Ardmore Cooperative Estates, Inc.

"Articles" shall mean the Articles of Incorporation of Colfax Ardmore Cooperative Estates, Inc. and amendments thereto which are or shall be filed in the Office of the Secretary of State of the State of California.

"Association" shall mean Colfax Ardmore Cooperative Estates, Inc., a California nonprofit mutual benefit corporation whose membership is composed of its tenant-stockholders.

"Board" shall mean the Board of Directors of the Association.

"Bylaws" shall mean the Bylaws of the Association and amendments thereto which are or shall be adopted by the Board.

"Common Area" shall mean the entire Development except all Apartments as defined in these Bylaws.

"Development" shall mean the entire stock cooperative development, composed of the Common Area and Apartments.

“Exclusive Use Common Area” shall mean and refer to those portions of the Common Area, if any, set aside for the exclusive use of a Member.

“Governing Instruments” shall mean the Articles, Bylaws, Occupancy Agreement and rules and regulations of the Association.

“Manager” shall mean the person or corporation, if any, appointed by the Board to manage the Development.

“Member” shall mean the owner of stock in the Association who is thereby entitled to exclusive occupancy of an Apartment and all of the rights of membership in the stock cooperative.

“Mortgage” means a mortgage or deed of trust encumbering stock of the Association. “First Mortgage” means a mortgage that has priority over all other mortgages encumbering the same stock.

“Mortgagee” means a person to whom a Mortgage is made and includes the beneficiary of a deed of trust and any guarantor or insurer of a mortgage. “Institutional Mortgagee” means a mortgagee that is a financial intermediary or depository, such as a bank, savings and loan, or mortgage company, that is chartered under federal or state law and that lends money on the security of real property or invests in such loans, or any insurance company or governmental agency or instrumentality, including the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the Governmental National Mortgage Association (GNMA). “First Mortgagee” means a mortgagee that has priority over all other mortgages or holders of mortgages encumbering the same stock. The term “Beneficiary” shall be synonymous with the term “Mortgagee.”

“Mortgagor” means a person who mortgages his, her, or its property to another (i.e., the maker of a mortgage), and shall include the trustor of a deed of trust. The term “Trustor” shall be synonymous with the term “Mortgagor.”

“Occupancy Agreement” shall mean the agreement governing a Member's right of exclusive occupancy in an Apartment within the Development.

All references to the California Corporations Code and the Civil Code shall be as the same may be amended from time to time.

ARTICLE II. QUALIFICATIONS FOR MEMBERSHIP

Section 2.01. **Proof of and Qualification for Membership.** Any natural person approved by the Board of Directors shall be eligible for membership. The term “natural person” shall include the trustee of a living trust. No person or persons shall exercise the rights of membership until satisfactory proof has been furnished to the Secretary of the Association of qualification as a Member. A copy of a duly executed and acknowledged Occupancy Agreement for an Apartment in the Development shall constitute satisfactory proof of qualification.

Section 2.02. **Assessments.** No initiation fees, costs, or dues shall be assessed against any person as a condition upon his or her exercise of the rights of membership except any assessments, levies, and charges specifically authorized under these Bylaws or the Occupancy Agreement. In this regard, the Board may levy regular and special assessments in accordance with California Civil Code Section 1366 and the Occupancy Agreement as the same may be amended from time to time. Said regular assessments may be referred to as “Carrying Charges” in the Governing Instruments. The Association shall have a lien on the outstanding common stock in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under any Occupancy Agreement. Each Member’s proportionate share of the Carrying Charges is set forth in such Member’s Occupancy Agreement.

Section 2.03. **Certificates of Membership.** The Board of Directors may provide for the issuance of certificates evidencing membership in the Association which shall be in the form determined by the Board and which shall set forth the statements required by Section 7313(b) of the California Corporations Code. All certificates evidencing membership shall be consecutively numbered. The name and address of each Member and the date of issuance of the certificate shall be entered on the records of the Association maintained by the Secretary. If any certificate is lost, mutilated, or destroyed, a new certificate may be issued therefor upon such terms and conditions as the Board may direct.

ARTICLE III. OCCUPANCY AGREEMENT

Section 3.01. **Form of Occupancy Agreement.** The Board of Directors shall adopt a form of Occupancy Agreement to be used by the Association for the leasing of all Apartments in the Development. The Agreement shall contain any restrictions, limitations, and provisions with respect to assignment, subletting, and the sale or transfer of the stock appurtenant thereto, and any other terms and provisions that the Board of Directors may determine.

After a Occupancy Agreement in the form adopted by the Board of Directors has been executed and delivered to the Association, all Occupancy Agreements subsequently executed

and delivered shall be in the same form, unless a change or alteration is approved pursuant to a vote of the Members.

Section 3.02. Allocation of Shares. The Board of Directors shall allocate to each Apartment to be leased the number of shares of stock that must be purchased by a prospective occupant for execution of a Occupancy Agreement of that Apartment. To the extent that, through inheritance or otherwise, a Member becomes the owner of shares in more than one (1) Apartment, the Member shall have ninety (90) days after written notice from the Association to transfer his or her shares for one of the Apartments to a third party. If the Member has failed to do so after the expiration of such time period, the Association shall have the right to terminate the Member's membership with respect to the last acquired Apartment in accordance with Article V of these Bylaws.

Section 3.03. Loss or Destruction of Occupancy Agreement. In the event that any Occupancy Agreement is lost, stolen, destroyed, or mutilated, the Board of Directors may authorize the issuance of a new Occupancy Agreement in lieu thereof, in the same form and with the same provisions. The Association may require the Lessee, or his or her legal representative, to give the Association a bond or other adequate security sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft, destruction, or mutilation of the Occupancy Agreement. A fee may be charged for the issuance of each new certificate.

ARTICLE IV. TRANSFER OF MEMBERSHIPS

Section 4.01. General Provisions. Except as provided herein, a Member may not transfer his or her stock in the Development or assign the Occupancy Agreement appurtenant thereto. In any event, no transfers shall be made on the books of the Association within fifteen (15) days preceding the annual meeting of Members. The Association shall be entitled to a reasonable fee for processing any transfer. A transfer from a Member to his or her family trust or from a Member's family trust to the Member as an individual shall be exempt from the provisions of this Article.

Section 4.02. Association's Option to Purchase. If a Member desires to sell his or her stock and assign the appurtenant Occupancy Agreement to a purchaser who has made a bona fide offer, he or she shall give written notification of that intention to the Association. The Association shall have an option for fifteen (15) days after receipt of notice to repurchase the stock and the right to exclusive occupancy appurtenant thereto at terms not less favorable than the terms of the original offer. The purchase by the Association of the stock and the appurtenant Occupancy Agreement shall immediately terminate the Members' rights in the Association. The Member shall be released from all obligations under the Occupancy Agreement upon compliance with the procedures described in Section 4.03 of these Bylaws.

Section 4.03. **Failure to Exercise Option.** If the Association fails to exercise the option set forth in Section 4.02 within the fifteen (15)-day period, the Member may sell his or her stock in the Association, and assign the Occupancy Agreement appurtenant thereto, to any person provided that the terms of sale are not less favorable than the terms of the original offer. Upon execution of the Occupancy Agreement by the transferee, the retiring Member shall be released from the obligations under the Occupancy Agreement, provided that he or she has done all of the following:

- (a) Endorsement. Endorsed his or her stock certificates for transfer in blank and deposited them with the Association;
- (b) Payment of Amounts Due. Met all of his or her obligations and paid all amounts due under the Occupancy Agreement up to the date of transfer; and
- (c) Vacation of Apartment. Vacated the Apartment, leaving it in good state of repair.

ARTICLE V. TERMINATION OF MEMBERSHIP

Section 5.01. **Basis.** The Board may terminate the membership of a Member if any of the following occurs:

- (a) Unlawful Detainer. The Association prevails in an unlawful detainer action against the Member for default in the failure to pay Carrying Charges or other assessments;
- (b) Non-Ownership of Stock. The Member ceases to be the owner of the shares of stock to which the Occupancy Agreement is appurtenant;
- (c) Receiver. A receiver of the Member's stock is appointed under any of the laws of the United States or of any state;
- (d) Court Sale. Any of the shares of stock to which the Occupancy Agreement is appurtenant are levied upon and sold under the process of any court; or
- (e) Assignment for Benefit of Creditors. The Member makes a general assignment for the benefit of creditors, except in connection with any share loan financing obtained in connection with the purchase of the share.
- (f) Unauthorized Transfer. The Member attempts to transfer or assign this Agreement in a manner contrary to the provisions contained herein or as provided for in the Bylaws;

(g) Failure to Maintain and Repair. The Member fails to effect and/or pay for repairs and maintenance as provided for in the Occupancy Agreement; or

(h) Unauthorized Occupancy. The Member allows any person not authorized by these Bylaws or the Occupancy Agreement to use or occupy the Apartment, and fails to cause that person to vacate the premises within fifteen (15) days after written notice from the Association; or if any authorized person(s) are occupying a Apartment without a Member also occupying the Apartment.

(i) Failure to Divest. The Member fails to transfer Member's shares in a second Apartment after ninety (90) days' written notice from the Association.

(j) Failure to Notify. The Member(s) fail to notify the Board in writing of any new person who is occupying the Apartment.

(k) Illegal Activity. The Member(s), or anyone occupying or visiting the Apartment, engages in any illegal activity in the Apartment or the Development.

The Association may not otherwise abridge the right of any Member to the full use and enjoyment of his or her Apartment on account of failure by the Member to comply with the provisions of the Governing Instruments, except by judgment of a court or a decision arising out of arbitration.

Section 5.02. Notice of Termination. No membership may be terminated except in accordance with the following procedure:

(a) Written Notice. The Association shall send written notice, postage prepaid, by first-class or registered mail addressed to the last address of the Member shown on the Association's records, stating that membership in the Association and all rights appurtenant to membership will expire on a date not less than thirty (30) days after the date of mailing the notice, and the reasons for termination; and

(b) Opportunity to be Heard. The notice shall provide the Member with an opportunity to show cause to the Board, orally or in writing, at a hearing held at least ten (10) days following the date of the mailing of the notice but not less than five (5) days before the effective date of termination, why the termination should not take place.

Section 5.03. Surrender of Stock and Occupancy Agreement. Upon termination, the Member shall be required to deliver promptly to the Association his or her stock certificates, and his or her Occupancy Agreement, endorsed in the manner required by the Association. The Association shall thereupon at its election either (1) repurchase that stock at its present transfer value or the amount the retiring Member originally paid for the acquisition of the stock, whichever is the lesser, or (2) proceed with reasonable diligence to effect a sale of the

stock to a purchaser and at a sales price acceptable to the Association. The retiring Member shall be entitled to receive the amount so determined, less the following amounts:

(a) Amounts Due. Any amounts due to the Association from the Member under the Occupancy Agreement;

(b) Deferred Maintenance. The cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and any repairs and replacements that are deemed necessary by the Association to place the Apartment in suitable condition for another occupant; and

(c) Legal Expenses. Legal and other expenses incurred by the Association in connection with the default of that Member and the resale of the stock. In the event the retiring Member, for any reason, should fail for a period of ten (10) days after demand to deliver to the Association his or her endorsed stock certificate, if any, that certificate shall forthwith be deemed to be cancelled and may be reissued by the Association to a new purchaser.

Section 5.04. **Other Discipline**. After notice and hearing, Member shall be subject to disciplinary action by the Board, including suspension of voting rights or privileges for use of the Common Area, or the imposition of monetary penalties if Member defaults on the performance of any covenant herein or under the Governing Instruments, other than the covenant to pay Carrying Charges, and fails to cure the default within thirty (30) days after written notice from the Association. Any monetary penalty imposed pursuant to this Section shall be a special assessment against such Member and his Apartment.

ARTICLE VI. MEETINGS OF MEMBERS

Section 6.01. **Place of Meetings**. All meetings of the Members shall be held within the Development at the principal office of the Association, or at a meeting place specified in writing by the Board as close to the Development as possible. No meeting of the Members shall, unless unusual conditions exist, be held outside of Los Angeles County.

Section 6.02 **Annual Meetings**. The annual meetings of the Members shall be held on such day and time each December, as the Board shall determine; provided such day shall not fall on a legal holiday.

Section 6.03. **Special Meetings**. Special meetings of the Members may be called by a majority of a quorum of the Board or by the President of the Association. In addition, special meetings of the Members for any lawful purpose must be promptly scheduled by the Board in response to a written request therefor signed by Members representing at least five (5) percent of the total voting power of the Association. The special meeting shall be held not less than

thirty-five (35) or more than ninety (90) days after adoption of the resolution or receipt of the request. Only that business stated in the notice of meeting given pursuant to Section 6.04 of these Bylaws shall be transacted at the special meeting. The right of Members to call a special meeting pursuant to this Section shall be enforceable as provided in Section 7511 (c) of the California Corporations Code.

Section 6.04. Notice of Meetings. The Secretary of the Association shall give or cause to be given written notice of any Members' meeting to each Member of record. Except as provided below, the notice shall be given at least ten (10) but not more than ninety (90) days before the meeting, by first class mail, by electronic mail to all Members who agree to accept such notice, or by personal delivery. If a special meeting is called by Members pursuant to Section 6.03 of these Bylaws, the notice shall be given within twenty (20) days after receipt of the request for the meeting. If that 20-day requirement is not satisfied, the Members who called the meeting may give the notice. Any notice of meeting shall be addressed to the Member at the address appearing on the books of the Association, or the address supplied by the Member to the Association for this purpose. If there is no such address, notice shall be given by placing such notice on a bulletin board located within the common areas, or by publication at least once in a newspaper of general circulation in the county in which the principal office is located. The notice shall state the place, date, and time of the meeting. The notice shall also specify those matters the Board intends to present for action by the Members. In the case of a special meeting, the only matters that may be voted on are those matters that were mentioned in the notice of meeting. In the case of an annual meeting, any proper matter may be presented at the meeting for action. If Directors are to be elected at the meeting, the notice shall include the names of all those who are nominees at the time the notice is given.

Section 6.05. Record Date of Membership. The Board shall fix, in advance, a record date or dates for the purpose of determining the Members entitled to notice of and to vote at any meeting of Members. The record date for notice of a meeting shall not be more than 90 nor less than ten (10) days before the date of the meeting. The record date for voting shall not be more than sixty (60) days before the date of the meeting or before the date on which the first written ballot is mailed or solicited. The Board may also fix, in advance, a record date for the purpose of determining the Members entitled to exercise any rights in connection with any other action. Any such date shall not be more than sixty (60) days prior to the action. In the absence of fixing any such record date, the record date for notice and voting shall be the date which the notice is mailed to all Members.

Section 6.06. Quorum.

(a) **Percentage Required.** The presence either in person or (if applicable) by secret ballot at a meeting of Members representing and entitled to cast at least fifty-one percent (51%) of the voting power, i.e., the number of Apartments in the Development minus the number of Apartments as to which voting rights are suspended in accordance with these Bylaws at the time of the subject meeting shall constitute a quorum for any action by the Members, unless a

different requirement is imposed by these Bylaws or the Articles. A majority of the voting power present at a meeting at which a quorum is present shall prevail at such meeting unless a different percentage is required by these Bylaws or the Articles. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that not less than ten percent (10%) of the voting power remains present in person or (if applicable) by secret ballot, and provided further that any action taken shall be approved by a majority of the Members required to constitute a quorum.

(b) Lack of Quorum. If any meeting (other than a meeting called to tabulate secret ballots) cannot be held because a quorum is not present, a majority of the Members represented in person may adjourn the meeting a date and time not less than five (5) days or more than thirty (30) days from the meeting date. At the adjourned meeting, the quorum requirements shall be twenty-five percent (25%) of the voting power. If, at such adjourned meeting a quorum is not present, the meeting may be adjourned until such time as a quorum of at least twenty-five percent (25%) of the voting power can be convened. An adjourned meeting may be held without written notice, provided that notice is given by announcement at the original meeting. If no such announcement is made, or if the selected date is changed after adjournment, notice of the time and place shall be given to Members in the manner provided in Section 6.04 of these Bylaws.

Section 6.07. Parliamentary Procedure. All meetings of the Members shall be conducted in accordance with (1) a recognized system of parliamentary procedure or (2) any parliamentary procedures adopted by the Association.

Section 6.08. Action Taken Without a Meeting. Subject to Section 7.03 of these Bylaws, any action that may be taken at a meeting of the Members, except for the election of Directors, may be taken without a meeting provided the following ballot requirements are satisfied:

(a) Distribution of Ballot. The Association shall distribute a written ballot to every Member entitled to vote on the matter. The ballot shall be solicited in the same manner as provided in Section 6.04 of these Bylaws for the giving of notice of meetings of Members. If the Association has 100 or more Members and the ballots are distributed to 10 or more Members, the ballot shall comply with the additional requirements set forth in Section 7514 of the California Corporations Code.

(b) Form of Ballot. The 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, indicate the number of responses needed to meet the quorum requirement, and state the percentage of approvals necessary to pass the measure submitted.

(c) Approval. The proposed action shall be considered approved if:

(1) The number of votes cast by ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action; and

(2) The number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(d) No Revocation. No written ballot shall be revoked.

Section 6.09. Approval by Members Required by Statute. Any approval by the Members of the following proposals, other than unanimous approval by those entitled to vote, shall be valid only if the general nature of the approved proposal was stated in the notice of meeting or any waiver of notice of meeting:

(a) Removal of Director. Removal of a Director without cause pursuant to Section 8.02(b) of these Bylaws;

(b) Filling of Vacancies. Filling vacancies on the Board pursuant to Section 8.03 of these Bylaws;

(c) Contract with Interested Director. Entering into or approving a contract or transaction between the Association and one or more of the Directors, or between the Association and any entity in which one or more of the Directors has a material financial interest, when the material facts of the contract or transaction are fully disclosed pursuant to Section 7233 of the California Corporations Code;

(d) Amendment to Articles. Amending the Articles after approval by the Board, in accordance with Section 7812 of the California Corporations Code; or

(e) Dissolution. Electing to dissolve the Association, by approval of a majority of all Members or by approval of both the Board and Members pursuant to Section 8610 of the California Corporations Code.

Section 6.10. Waiver of Notice or Consent of Absentees. Subject to Section 7.03 of these Bylaws, the transactions of any meeting of Members, however called and noticed, shall be as valid as though taken at a duly called, noticed, and held meeting, if: (1) a quorum is present either in person or by proxy; and (2) either before or after the meeting, each of the Members not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the Minutes of the meeting. Any such waiver, consent, or approval shall be filed with the corporate records or made a part of the Minutes of the Meeting.

ARTICLE VII. VOTING RIGHTS

Section 7.01. **Voting Structure.** The Association shall have one class of voting membership, as follows:

All Members shall be Class A Members. Class A membership entitles the holder to one vote for each Apartment for which the Member has a right of exclusive occupancy.

Section 7.02. **Proxies.** Except to the extent prohibited by law, at all meetings of Members, each Member may vote in person or by proxy and (if applicable) the proxyholder shall vote, as directed in the proxy by means of secret ballot when required by law. All proxies shall be in writing and executed by the Member or such Member's duly authorized agent and filed with the Association prior to the commencement of voting at the meeting at which the proxy is to be exercised. Every proxy shall be revocable and shall automatically cease upon conveyance of its maker's membership, or upon receipt of written notice by the Secretary of the maker's death or judicially declared incapacity. No proxy shall be valid after the expiration of eleven (11) months from its date of execution, unless otherwise provided in the proxy. However, the maximum term of any proxy shall be three (3) years from its date of execution. The maker of a proxy may revoke it by delivering a written revocation to the Association, by executing a subsequent proxy and presenting it to the meeting, or by attending any meeting and voting in person.

Section 7.03. **Voting By Secret Ballot on Certain Issues.** 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 Association's governing documents shall be by secret ballot in accordance with the procedures set forth in Civil Code Section 1363.03. 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 open meeting of the Board or the Members, in the discretion of the Board, within thirty (30) days of the date of the annual meeting of the Members. 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 at the annual meeting of the Members.

ARTICLE VIII. DIRECTORS

Section 8.01. **Number;Term; Qualifications.**

(a) Number. The affairs of the Association shall be managed by a Board of Directors ("Directors") comprised of five (5) persons.

(b) Qualifications. All Directors must be Members of the Association and at least eighteen (18) years of age. Additionally, no person may be a candidate for the Board, or once elected, continue to serve as a Director on the Board if properly removed as set forth below in Section 8.02(b)(1), if the person:

- (1) Has been declared of unsound mind by a final order of court;
- (2) Has been convicted of a felony; or,
- (3) Has failed to attend three (3) consecutive regular Board meetings or four (4) regular Board meetings within any one (1) year period;

(c) Term; Term Limits. Each Director shall serve a staggered three (3) year term. Under the staggered-term system, the Association shall alternate every three (3) years by electing two (2) Directors one year, two (2) Directors the next year and one (1) Director the following year. Each Director shall hold office until a successor is elected or until he resigns or is removed. The number of Directors may be increased or decreased from time to time by an amendment to these Bylaws.

Section 8.02. Election; Removal; Vacancies.

(a) Election; No Cumulative Voting. As long as required by California law, the election of the Directors by the Members shall be by secret ballot. 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 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 at the annual meeting of the Members. Members shall not be entitled to cumulate their votes for the election of Directors. For each such election, each Member shall be entitled to as many votes as there are candidates to be elected or removed. A vote for a candidate shall be indicated by the symbol "X" or any other affirmative symbol for that candidate on the form provided. For a ballot to be valid, the Member may cast only one vote for a candidate. The candidates receiving the highest number of votes shall be deemed to have been elected.

(b) Removal.

(1) By Board. At a duly called Board meeting, the Board, by the vote of a majority of a quorum of Directors, may declare vacant the office of a Director for failing to meet the qualifications to serve as a Director set forth in Section 8.01(b), above, and thereby remove such Director from the Board.

(2) By Members. As long as required by California law, the removal of Directors by the Members 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 or any individual director may be removed from office, with or without cause, by a majority of the voting power. In the event that California law no longer requires voting for the removal of directors by secret ballot, the entire Board or any individual director may be removed from office, with or without cause at any duly called, noticed and held annual or special meeting of the Members, at which a quorum is present, by a majority of the voting power.

(c) Vacancies. A vacancy created by removal of a director by the Members can be filled only by election of the Members (i) by secret ballot for so long as California law requires the election of directors by secret ballot, or (ii) 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 of the remaining directors even if less than a quorum. Each director elected or appointed to fill a vacancy shall hold office for the remainder of the unexpired term of such director's predecessor. A Board member 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.

Section 8.03. Compensation. No Director shall receive any compensation for any service he or she may render to the Association; provided, however, that any Director may be reimbursed for actual out-of-pocket expenses incurred by the Director in the performance of his or her duties.

Section 8.04. Powers and Duties. Subject to the limitations of the Articles of Incorporation, these Bylaws, and the California Corporations Code and Civil Code as to action required to be taken, authorized or approved by the Members of the Association, or a portion or percentage thereof, all Association powers and duties, including those set forth in the Occupancy Agreement, shall be exercised by, or under the authority of the Board, and the business and affairs of the Association shall be controlled by the Board. The Board's powers and duties shall include, but shall not be limited to, the following: The Board's powers and duties shall include, but shall not be limited to, the following:

(a) Enforcement. Enforcing the applicable provisions of the Governing Instruments.

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

(c) Insurance. Contracting for casualty, liability, and other insurance on behalf of the Association.

(d) Goods and Services for Common Area. Contracting for goods and services for the Common Area, facilities, and interests of the Association.

(e) Delegation. Delegating its powers to any committees, officers, agents or employees of the Association that are expressly authorized by the Governing Instruments.

(f) Financial Disclosures. Preparing and distributing budgets, financial statements and disclosures for the Association as prescribed in the Governing Instruments and Civil Code Sections 1365 and 1365.5.

(g) Rules. Formulating rules of operation for the Common Area and facilities owned or controlled by the Association and the use of the Apartments in accordance with Civil Code Section 1357.100 et seq.

(h) Discipline. Initiating and executing disciplinary and termination proceedings against Members for violations of provisions of the Governing Instruments in accordance with procedures set forth in the Governing Instruments.

(i) Entry into Apartment. Entering any Apartment under the following circumstances. The Association shall give Member twenty-four (24) hours' notice of the Association's intent to enter the Apartment, except in the case of emergency. The Association, and the Association's agents and employees, shall enter a Apartment only during normal business hours, except (1) in cases of emergency, (2) if the tenant has abandoned or surrendered the Apartment, or (3) if it is impractical to do so:

- (1) In case of emergency.
- (2) To conduct an annual preventative maintenance inspection.
- (3) To make necessary or agreed repairs, decorations, alterations, or improvements.
- (4) Supply necessary or agreed services.
- (5) Exhibit the Apartment to prospective or actual purchasers, mortgagees, tenants, repair personnel, or contractors.
- (6) After Member has abandoned or surrendered the Apartment.
- (7) Pursuant to court order.

(8) To conduct an inspection of fixtures, pipes and appliances if the Association reasonably believes that a Apartment has not been occupied for two months.

(j) Election of Officers. Electing the Officers of the Board.

(k) Filling of Vacancies. Filling vacancies on the Board, except for a vacancy created by the removal of a Director by the Members.

(l) Review of Financial Documents: Reviewing the following on at least a quarterly basis:

(1) A current reconciliation of the operating accounts of the Association.

(2) A current reconciliation of the reserve accounts of the Association.

(3) The actual reserve revenues and expenses for the current year compared with the budget for the current year.

(4) The most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(5) An income and expense statement for the operating and reserve accounts of the Association.

(m) Withdrawals from Reserves. Withdrawing moneys from the Association's reserve accounts.

(n) Reserve Study. Causing studies of the reserve account requirements of the Development to be conducted, when necessary, and reviewing those studies in accordance with Civil Code Section 1365.5(e).

(o) Resolution of Disputes. Performing 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.

(p) Membership. Accepting or rejecting all applications for membership and admission to occupancy of an Apartment.

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

(r) Removal of Director. Declare vacant the office of any Director who fails to meet the qualifications set forth in these Bylaws.

Section 8.05. **Limitations on Powers.** Notwithstanding the powers set out in Section 8.04, the Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the Members.

(a) Contracts Longer Than One (1) Year. Entering into a contract with a third person whereby the third person will furnish goods or services for the Common Area or the Association for a term longer than one year, with the following exceptions:

(1) A contract with a public utility if the rates charged are regulated by the Public Utilities Commission, provided that the term shall not exceed the shortest term for which the utility will contract at the regulated rate;

(2) Prepaid casualty and/or liability insurance of not more than three years duration, provided that the policy provides for short-rate cancellation by the insured;

(3) Lease agreements for laundry room fixtures and equipment of not more than five (5) years' duration;

(4) Agreements for cable television services and equipment or satellite dish services and equipment of not to exceed five (5) years' duration; and

(5) Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation, and services for a term of up to five (5) years.

(b) Capital Improvement Expenditures. Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Sale of Property. Selling during any fiscal year property of the Association having an aggregate fair market value in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(d) Filling Vacancy. Filling a vacancy on the Board created by the removal of a Director by the Members.

ARTICLE IX. MEETINGS OF DIRECTORS

Section 9.01. **Regular Meetings.** Regular meetings of the Board of Directors shall be held every other month at the place within the Development, and at the time that is fixed from time to time by resolution of the Board. Notice of the time and place of Board meetings shall be communicated to the Directors not less than four days before the meeting by one of the following methods: (1) by personal delivery; (2) written notice by first-class mail, postage

prepaid; (3) by telephone communication, either directly to the Director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (4) by telegram, facsimile, or electronic mail. The notice shall be given or sent to the Director's address, or telephone number, facsimile number or e-mail address as shown on the records of the Association. 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. Notice of the time and place of Board meetings except emergency Board meetings and executive session Board meetings shall also be posted in a prominent place or places within the Common Area at least four (4) days before the meeting and shall be sent by mail to any Member who had requested notification of Board meetings by mail at the address requested by the Member. Notice may also be given by mail or personal delivery to each Apartment in the development or by newsletter or similar means of communication.

Section 9.02. Special Meetings. Special meetings of the Directors shall be held when called by written notice signed by the President of the Association or by any two (2) Directors other than the President. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice of any special meeting shall be given to Directors and Members in the same manner as set forth in Section 9.02 of these Bylaws.

Section 9.03. Emergency Meetings. Emergency meetings of the Board of Directors may be called by the President of the Association, or by any two (2) members of the Board 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 notice as otherwise required for meetings of the Board. Notice to Members of an emergency meeting is not required.

Section 9.04. Quorum. A majority of the Board shall constitute a quorum and, if a quorum is present, the decision of a majority of the Directors present shall be the act of the Board.

Section 9.05. Open Meetings. Regular and special meetings of the Board shall be open to all Members of the Association. The Board must permit any Member to speak at any of the Board's meetings, except for meetings held in executive session. To this end, the Board must establish a reasonable time to allow Members to speak to the Board at its meetings.

Section 9.06. Executive Session. The Board may meet in executive session to consider litigation, matters relating to the formation of contracts with third parties, Member discipline, personnel matters or to meet with a Member, upon the 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 Section 9.05 of this Article. In all other cases, Members who are not on the Board may not attend an executive session.

Section 9.07. **Adjournment.** 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 Civil Code Section 1363.03 may not be adjourned. If the meeting is adjourned for more than 24 hours, notice of the adjournment shall be given, before the time of the adjourned meeting, to the Directors who were not present at the time of the adjournment.

Section 9.08. **Minutes.** Written minutes shall be kept of all meetings of the Board. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be made available to Members within thirty (30) days of the meeting. Further, the minutes, proposed minutes, or summary minutes shall be distributed to all Members. Any Member making such a request shall reimburse the Association for its costs in making that distribution. Members shall be notified in writing at the time that the pro forma budget required by Civil Code Section 1365 is distributed, or at the time of any general mailing to the entire membership of the Association, of their right to have copies of the minutes of meetings of the Board and of how and where those minutes may be obtained.

Section 9.09. **Action Taken Without a Meeting.** The Board may take actions without a meeting if all of the Directors consent in writing to the action to be taken. Such written consent or consents shall be filed with the minutes of the next regular or executive session meeting of the Board, as may be appropriate, and shall have the same force and effect as a unanimous vote of such Directors. For the purposes of this Section only, "all members of the Board" shall not include any directors involved in a transaction subject to Corporations Code Section 7233.

ARTICLE X. OFFICERS

Section 10.01. **Enumeration.** The Officers of this Association shall be a President and Vice-President, who shall at all times be Members of the Board of Directors, and a Secretary and Chief Financial Officer, and any other Officers that the Board may from time to time appoint pursuant to Section 10.03 of these Bylaws.

Section 10.02. **Term.** The Officers of this Association, except those Officers appointed in accordance with Section 10.03 of this Article, shall be elected annually by the Board, and each shall hold office for one year unless he or she shall sooner resign or shall be removed, or otherwise become disqualified to serve.

Section 10.03. **Special Appointments.** The Board may appoint any other Officers that the affairs of the Association may require, each of whom shall hold office for the period, have the authority, and perform the duties that the Board may from time to time determine.

Section 10.04. **Resignation and Removal.** Any Officer may be removed from office either 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. A resignation shall take effect at the date of receipt of notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of a resignation shall not be necessary to make it effective.

Upon resignation or removal of an Officer, the position shall be filled in the manner prescribed in these Bylaws for regular appointment to that office. The appointee to a vacated office shall serve the remainder of the term of the Officer that he or she replaces.

Section 10.05. **Multiple Offices.** The offices of Secretary or Assistant Secretary and Chief Financial Officer may be held by the same person. No person shall be appointed to more than one of any of the other offices except in the case of special offices created pursuant to Section 10. 03 of this Article.

Section 10.06. **Compensation.** An Officer shall not receive any compensation for any service he or she may render to the Association; provided, however, that any Officer may be reimbursed for actual out-of-pocket expenses incurred in the performance of his or her duties.

Section 10.07. **Duties of President.** The President shall:

- (a) Preside over all meetings of the Members and of the Board;
- (b) Sign as President all deeds, contracts, and other instruments in writing which have been first approved by the Board, unless the Board, by duly adopted resolution, has authorized the signature of a lesser Officer;
- (c) Call meetings of the Board whenever he or she deems it necessary in accordance with rules and upon notice agreed upon by the Board. The notice period shall, with the exception of emergencies, in no event be less than three days;
- (d) Have, subject to the advice of the Board, general supervision, direction, and control of the affairs of the Association; and
- (e) Discharge any other duties required of him or her by the Board.

Section 10.08. **Duties of Vice-President.** The Vice-President shall:

- (a) Act in the place and in the stead of the President in the event of his or her absence, inability, or refusal to act; and
- (b) Exercise and discharge any other duties that are required of him or her by the Board. In connection with any such additional duties, the Vice-President shall be responsible to the President.

Section 10.09. **Duties of Secretary.** The Secretary shall:

- (a) Keep a record of all meetings and proceedings of the Board and of the Members;
- (b) Keep the seal of the Association, if any, and affix it on all papers requiring a seal;
- (c) Serve notices of meetings of the Board and the Members required either by law or by these Bylaws;
- (d) Keep appropriate current records showing the Members of this Association together with their addresses; and
- (e) Sign as Secretary all deeds, contracts, and other instruments in writing that have been first approved by the Board if those instruments require a second Association signature unless the Board has authorized another Officer to sign in the place and stead of the Secretary by duly adopted resolution.

Section 10.10. **Duties of Chief Financial Officer.** The Chief Financial Officer shall:

- (a) Receive and deposit in the bank or banks that the Board may from time to time direct, all of the funds of the Association;
- (b) Be responsible for and supervise the maintenance of books and records to account for those funds and other Association assets;
- (c) Disburse and withdraw the funds that the Board may from time to time direct, and in accordance with prescribed procedures; and
- (d) Prepare and distribute the financial statements for the Association required by the Declaration.

Section 10.11. **Appointment of Subordinate Officers.** The Board may appoint any subordinate Officers that it deems desirable from time to time. Subordinate Officers shall have the duties that the Board may from time to time prescribe, including the right to act in the place and stead of any Officers, other than the President, that the Board may designate.

ARTICLE XI. BOOKS AND RECORDS

Section 11.01. **Required Records.** The Association shall maintain at its principal office: (a) Copies of its Governing Instruments as last amended; (b) Adequate and correct books and records of account; (c) Written minutes of the proceedings of its Members, of its Board, and (if such committees choose to keep minutes) of committees of the Board; and (d) A Membership Register containing the following information about each Member: name, mailing address, telephone number, and class of membership.

Section 11.02. **Inspection of Minutes and Accounts by Members.** Members shall have the right to inspect the Association's membership register, books and records, and minutes of meetings of the Members, of the Board and of committees of the Board as may be permitted by California law. Board minutes, proposed minutes, or 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. The Board shall establish reasonable rules with respect to:

(a) Notice. The notice to be given to the custodian of the records by Members desiring to make such an inspection or copying;

(b) Hours. The hours and days of the week when such an inspection may be made; and

(c) Cost of Copying. Payment of the cost of reproducing copies of documents requested by a Member.

Section 11.03. **Inspection of Membership List.** A Member's right to inspect the membership list of the Association shall be subject to, and in accordance with, the applicable provisions of the Corporations Code and the Civil Code.

Section 11.04. **Inspection by Directors.** Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE XII. NOTICES

Section 12.01. **Method for Giving Notice.** Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the notice has been deposited in the United States mail, postage prepaid, addressed to a Member at the address given by that person to the Secretary of the governing body for the purpose of service of notice or to the Apartment of that person if no address has been given to the Secretary. An address may be changed from time to time by notice in writing to the Secretary.

Section 12.02. **Consent to Waiver of Notice.** The transactions of any meeting of the Members, however called or noticed, shall be as valid as though made at a meeting duly held after regular call and notice if a quorum is present, in person or by proxy, if either before or after the meeting each Member entitled to vote but not present thereat signs a written waiver of notice, or a consent to the holding of such meeting, or approval of the true and correct minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

ARTICLE XIII. AMENDMENTS

Section 13.01. **Amendment of Bylaws.** For so long as California law requires that amendments to the Bylaws be conducted by secret ballot, these Bylaws may be amended when a secret ballot is sent to all Members, a quorum of Members has returned their ballots by the appropriate deadline, and a majority of the voting power votes in favor of such amendment. Otherwise, these Bylaws may be amended by the affirmative vote of at least a majority of the Members. A description of any proposed amendment shall accompany the secret ballot or notice of any regular or special meeting, as the case may be.

ARTICLE XIV. TAX-EXEMPT STATUS

Section 14.01. **Tax-Exempt Status.** The Board and Members of the Association shall conduct the business of the Association in a manner that allows the Association to qualify as an organization exempt from state income taxes pursuant to California Revenue and Taxation Code Section 2370 1t, as amended.

Section 14.02. **Filing.** The Board shall cause to be timely filed any election for tax-exempt status that may be required under state or federal law, and shall undertake to cause the Association to comply with the statutes, rules, and regulations which have been or shall be adopted by state agencies pertaining to those exemptions.

ARTICLE XV. SHARE LOANS

Section 15.01. **Share Loan Financing.** Notwithstanding any other provision contained herein, the Association is authorized to enter into a contract with a lending corporation approved by the Board of Directors, on one or more mortgage loan for the purchase or refinancing of Member certificates or stock in the Association. The loans permitted by this Section may be secured by the Association Members' interest in their Proprietary Lease and/or Occupancy Agreement. Notwithstanding the foregoing, no loan secured by a Member's certificate or stock in the Association or the Member's interest in their Occupancy Agreement, may exceed ninety percent (90%) of the fair market value of such Member's certificate or stock in the Association or their interest in their Occupancy Agreement. Moreover, in the event that there is a default in a lender's loan, and such lender becomes owner of the Occupancy Agreement pursuant to the remedies provided in lender's loan instruments, the Association will recognize such lender's ownership interest via assignment of such Occupancy Agreement and Share Certificate to such lender. In the event that the Association chooses to exercise any option contained in the Occupancy Agreement to purchase an Apartment, the Association must first satisfy lender's lien on such Apartment.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of this corporation, and that the foregoing Bylaws constitute the Bylaws of this corporation, as duly approved by the Members and adopted by the Board of Directors on _____, 2009, and that the same replaces any previous Bylaws of the Association and now constitutes the entire set of Bylaws of the Association.

Dated: May _____, 2009

Secretary:

[signature]

[print name]