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RESTATED BYLAWS
MONTEVALLE OF SCOTTS VALLEY, INC.
a California nonprofit mutual-benefit corporation

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RESTATED BYLAWS
MONTEVALLE OF SCOTTS VALLEY, INC.

a California nonprofit mutual-benefit corporation

These Restated Bylaws (“Bylaws”) revoke all previous bylaws, as well as all amendments to those bylaws, and substitute in their place these Bylaws.

ARTICLE 1: ADMINISTRATION

1.1 Name. The name of this corporation is Montevalle of Scotts Valley, Inc. (the “Corporation”), a California nonprofit mutual-benefit corporation.’

1.2 Definitions. All terms used in these Bylaws shall, unless otherwise stated, be defined as set forth in the Restated Declaration of Covenants, Conditions, and Restrictions (“CC&Rs”).

1.3 Principal Office. The principal office for the transaction of business of the Corporation shall be located at such location as may be fixed by the Board of Directors from time to time, within in the County of Santa Cruz, State of California, and within a planned senior residential subdivision which includes, but is not limited to, manufactured homes and mobile homes, located at 552 Bean Creek Road, Scotts Valley, California (hereinafter “Montevalle”).

ARTICLE 2: MEMBERSHIP

2.1 Membership. Each person or entity shall automatically become a Member of the Corporation upon obtaining a publicly-recorded fee title ownership interest, or a share of such publicly-recorded fee title ownership interest, in any lot or parcel of land (a “Separate Interest”) within Montevalle. There are two hundred twenty (220) Separate Interests within Montevalle, each of which is shown upon one of the following entitled Subdivision Maps: “Tract 498” recorded in the office of the Recorder of the County of Santa Cruz, California, at Book 50 of Maps, page 13; “Tract 530” recorded in the office of the Recorder of the County of Santa Cruz, California, at Book 53 of Maps, page 14; and “Tract 541” recorded in the office of the Recorder of the County of Santa Cruz, California, at Book 55 of Maps, page 14.

2.2 Transfer or Termination of Membership. Each Member shall remain a Member until he or she ceases to have such recorded fee ownership of a Separate Interest in the Development. A person’s membership shall immediately terminate upon the sale or transfer of his or her interest in and to that Member’s Separate Interest.

2.3 Proof of Membership. If the Board should request proof of membership, such proof shall be in the form of a recorded deed evidencing the record fee ownership of a Separate Interest.

2.4 Suspension of Membership Privileges. Membership rights and privileges, including voting rights and rights of use of portions of the Common Areas which are recreational and/or not essential to ingress or egress to the Member’s Separate Interest, may be suspended

as provided for in these Bylaws, based upon a good faith determination by the Board that the Member (or any resident or invitee of the Member's Separate Interest) has failed in material and serious degree to observe the Corporation's rules of conduct, or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the Corporation, or has failed to pay assessments, fees, fines or penalties as set by the Board within sixty (60) days after they became due and payable. A person whose Membership privileges are suspended shall not have access to the amenities of Membership specified in the notice of suspension during the period of suspension, and shall not be eligible to vote as a Member after the Board has followed the procedure in Section 2.5 and any other procedures required by law.

2.5 Procedure for Suspending Membership Privileges. If grounds appear to exist for suspension of a Member's privileges, the procedure shall be as follows:

- a. *Notice.* The Member shall be given notice of the proposed suspension at least 15 days prior to its effective date, and at least ten (10) days prior to the date of the meeting described herein.
- b. *Notice Requirements.* Notice shall be given by either personal delivery or individual delivery pursuant to Section 4040 of the Civil Code, and shall state the time, date, and place of the Board's meeting to consider the proposed suspension, and the reasons for the proposed suspension.
- c. *Opportunity to be Heard.* The Member shall be given an opportunity to be heard, either orally or in writing. The hearing shall be held, or the written statement considered, by the Board to determine whether or not to suspend the Member.
- d. *Decision.* The Board shall decide whether or not the Member shall be suspended or fined. The decision of the Board shall be final and the Board shall provide the Member with written notice of the decision within fifteen (15) days of reaching its decision. The notice may also identify the privileges lost and the conditions under which the Member may seek reinstatement of said lost privileges.
- e. *Appeal.* Any action challenging a suspension or fine, including a claim of defective notice, must be commenced within one year of the date on which the decision was provided to the Member.

ARTICLE 3: MEETINGS OF MEMBERS

3.1 Place of Membership Meetings. Annual and special meetings of the membership shall be held at a suitable location in, or reasonably close to, the Development. Meetings shall be held upon the Common Area, or at such other reasonable place or time as the Board of Directors may designate. The Board of Directors shall give to the Members written notice of each meeting not less than ten (10) days nor more than sixty (60) days prior to the date fixed for the meeting, and such notice shall designate the date, time, and place of the meeting. In the absence of written consent of one hundred percent (100%) of the Board, to move the place of meetings, regular meetings shall be held at the principal

office of the Corporation. Special meetings of the Board shall be held either at a place so designated or at the principal office.

3.2 Required Annual Meetings. There shall be at least three (3) meetings during each calendar year, to be held as follows.

- a. *Annual Meeting and Election.* There shall be an annual meeting each year for the purpose of electing or announcing the outcome of the election of Directors and conducting any other business of the Corporation.
- b. *Nominating Meeting.* The Nominating Meeting, also known as Candidates' Night, shall be held at least three days before ballots are distributed for election of the Board of Directors. At this meeting a slate of candidates for said Board will be adopted in accordance with the provisions of Article 5. Any Member present at the meeting in person or by proxy may place names in nomination for election to the Board of Directors. All nominees shall have given their consent to be a candidate and to serve if elected. At least thirty (30) days before the ballots are distributed, the Association must prepare a list of the candidates and make it available to the candidates so they can verify the accuracy of their information on the list. The inspector of elections must then change and correct lists within two (2) business days of any error or omission being reported. (Civ. Code § 5105(a)(7).)
- c. *Budget Meeting.* An annual Budget Meeting of the Members shall be held no less than five days after distribution of the proposed Operating Budget and Reserve Fund Assessments to the Members. The Operating Budget shall set forth the estimated income for the fiscal year as well as the proposed expenditures. A budget comparison between the current fiscal year and the proposed budget for the next fiscal year shall be provided. If the business before the Budget Meeting cannot be completed in one session, the meeting may be continued from time to time until the hearing is completed.
- d. *Dates of Annual Meetings.* The Board shall fix the date, time, and location of each of the foregoing Membership meetings. The Annual Meeting and Election shall be held in the same month as the preceding annual meeting if it is reasonably practicable to do so, but in no event more than fifteen (15) months from the date of the preceding Annual Meeting and Election.
- e. *Notice of Annual Meeting and Election.* Notice of the Annual Meeting and Election shall be given by the Board not less than 30 days prior to the date of the meeting so as to allow for the mailing of secret ballots as provided for in these Bylaws. All other Membership meetings shall follow the notice requirements in Section 3.3.

3.3 Special Meetings. Special meetings of the Members may be called for any lawful purpose by any of the following: (i) President of the Board; (ii) majority of the Board; or (iii) Members constituting at least five percent (5%) of the voting power of the Corporation. If a special meeting is called by Members of the Corporation, the request shall be submitted to the Board in writing and shall specify the nature of the business to be transacted. The Director or Officer receiving the request shall promptly deliver the request to the remaining Directors.

- a. *Notice of Special Meetings Called by the Board.* Notice of special meetings called by the Board shall be given not less than ten (10) days nor more than ninety (90) days before the date of the meeting. If action is to be taken at the meeting, notice of the meeting and secret ballots shall be mailed to every member not less than thirty (30) days prior to the deadline for voting as provided for in these Bylaws.
- b. *Notice of Special Meetings Called by Petition of the Members.* Notice of special meetings called by the Members shall be given by the Board within twenty (20) days after the Board's receipt of such request. If the Board fails to give notice, the persons calling the special meeting may give notice consistent with these Bylaws. The special meeting must be held not less than thirty-five (35) days nor more than ninety (90) days following the Board's receipt of the request. If the purpose of the meeting is to recall members of the board, the date for the special meeting may not be less than thirty-five (35) nor more than one hundred fifty (150) days from receipt of the request. (Corp. Code § 7511(c)). If action is to be taken at the meeting, secret ballots shall be mailed to every member not less than thirty (30) days prior to the deadline for voting as provided for in these Bylaws.

3.4 Organizational Meeting. Within fourteen (14) calendar days after election results have been posted, the outgoing President shall call an open organizational Board meeting of the incoming Board during which the new Board shall select its officers.

3.5 Notice Contents. Notice of any membership meeting shall specify the place, date, and hour of the meeting. If applicable, the notice shall also specify those matters which will be presented for action by the Members.

3.6 Those Entitled to Notice. Only those persons or entities that are on title and have provided such evidence to the Corporation prior to the date the meeting notice is sent, are entitled to receive such notice.

3.7 Manner of Giving Notice. A declaration of the mailing or other means of giving any notice of any membership meeting may be executed by the Secretary, President, or other party giving notice, and shall be prima facie evidence of the effective transmittal of the notice. Notice of any membership meeting shall be given either personally or by first-class mail, charges prepaid, and addressed to each Member: (i) at the address appearing on the Corporation's books; (ii) at the address given by the Member for notice; or (iii) at the

address of the Member's Separate Interest, if no address appears on the Corporation's books and no other address has been given. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail. Notice may also be given by any other method provided for by law.

3.8 Voting Rights. In all matters submitted for a membership vote, Members shall be entitled to one (1) vote per Separate Interest (regardless of the number of Members having an interest in the Separate Interest).

- a. *Co-Owners*. Where there is more than one owner of a property subject to the Corporation's CC&Rs, all such co-Owners shall be Members and may attend any meeting of the Corporation, but only one co-Owner shall be entitled to exercise the vote to which the property is entitled. Fractional votes shall not be allowed. In the event more than one ballot is cast for a particular Separate Interest, only the first ballot received shall be opened and counted.

3.9 Proxies. Proxy voting is not allowed.

3.10 Chair and Secretary of Meetings. The President or, in the President's absence, the Vice President or any other person designated by the Board, shall call the membership meeting to order and shall chair the meeting. The Secretary shall act as secretary for the meeting; in the Secretary's absence, the presiding Officer shall appoint someone to serve as acting Secretary for the meeting. The Community Manager shall take minutes for the meetings. If the Community Manager is not available, minutes shall be taken by the Secretary.

3.11 Recording of Meetings. Audio and video recording of meetings is prohibited by anyone other than a person authorized by the Board to record the meetings for the sole purpose of preparing official Corporation minutes.

3.12 No Quorum Required. There shall be no Quorum requirement for the following matters:

- a. For the election of Directors as provided for in the provision of these Bylaws entitled "No Quorum for Electing Directors."
- b. For the approval of an IRS Resolution that any excess income for the current year shall be applied to the next fiscal year (such as provided by IRS Revenue Ruling 70-604).
- c. For any meeting of a purely informational or social nature at which business may not be transacted.

3.13 Loss of Quorum. The Members represented at a duly called election at which a Quorum is present may continue to transact business until adjournment, notwithstanding the loss of a Quorum, so long as the business is approved by enough Members to constitute at least a majority of a Quorum, had a Quorum been present.

3.14 Adjourned Meetings. Any membership meeting, whether or not a Quorum is present, may be adjourned from time to time by the vote of the majority of the Members represented at the meeting. However, an adjournment for lack of a Quorum shall be to a date not less than five (5) days nor more than thirty (30) days from the date the original meeting was called. In the absence of a Quorum, no business may be transacted, except to adjourn the meeting to another date and time. If a new date for the adjourned meeting is announced prior to adjournment, no further notice need be given to the membership. If, however, a new date is not announced prior to adjournment, the Board President (or the remaining Directors, in the President's absence or failure to act), may set the date for a subsequent meeting and shall cause written notice of the date, time, and place of such meeting to be given to the Members at least four (4) days in advance of the meeting.

ARTICLE 4: ACTION BY BALLOT WITHOUT A MEETING

4.1 Secret Ballot. All ballots mailed to the membership shall include a double-envelope system for returning the ballots as provided for in the Davis-Stirling Act and as set forth in the Election Rules. Any action which may be taken at any meeting of Members may be taken without a meeting if the Corporation distributes a secret written ballot to every Member entitled to vote on the matter.

4.2 Approval Requirement. Approval by written ballot shall be valid only when: (i) the number of votes cast by ballot by the specified deadline equals or exceeds the Quorum required to be present at a meeting authorizing the action; and (ii) the number of votes cast equals or exceeds the number of votes that would be required to approve the action at a meeting. There shall be no Quorum requirement for the election of Directors.

4.3 Form of Ballot. Ballots and two (2) preaddressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered to every Member not less than thirty (30) days prior to the deadline for voting. In order to preserve voter confidentiality, a voter may not be identified by name, address, or Lot or parcel on the ballot. Ballots shall: (i) set forth the proposed action; (ii) provide an opportunity to approve or disapprove each item submitted for a vote; (iii) set forth the number of ballots needed to satisfy the Quorum requirement; (iv) specify the percentage of votes required to pass the proposal; and (v) state a deadline by which the ballot must be returned in order to be counted.

4.4 Return of Ballot. The ballots may be mailed or delivered by hand to the location or locations specified by the Inspectors of Election. Once a secret ballot has been received by the Inspectors of Election, it shall be irrevocable.

4.5 Inspectors of Election. Prior to the date ballots are sent to the membership, the Board shall, at an open meeting of the Board, select either one (1) or three (3) independent Inspectors of Election to: (i) oversee all ballot measures and elections, including the election of Directors; (ii) hear and determine all challenges and questions regarding any aspect of the election; (iii) collect and maintain custody of all ballots; (iv) supervise the opening and counting of ballots; (v) certify the election results; and (vi) do such other acts as may be proper to conduct the election.

4.6 Counting Ballots. Inspectors of Election shall oversee the opening and tabulating of all ballots before the membership at a properly noticed open meeting of the Board or membership as provided for in the Election Rules. No person shall open or otherwise review any ballot prior to the time and place at which the ballots are opened and counted.

4.7 Announcement of Results. The results of the election shall be announced immediately after all the ballots have been counted. Within fifteen (15) days of the election, the Board shall publicize the results of the election in a communication to all Members.

4.8 Storing Election Materials. All election materials shall be stored in a secure place for no less than one (1) year after the date of the election.

ARTICLE 5: ELECTION OF DIRECTORS

5.1 Number and Term. The Board shall consist of seven (7) Directors. Each Director shall serve for a term of two (2) years or until a qualified successor is elected to fill his/her seat. Four Directors shall be elected in odd-numbered years and three Directors shall be elected in even-numbered years. Each director is eligible to serve a maximum of three (3) consecutive terms (six years).

5.2 Term Limits. Directors serving the maximum terms of six (6) consecutive years are not eligible to serve on the Board for a period of twelve (12) months. After being off the Board for a minimum of twelve (12) months, the person may again be eligible to be appointed or elected to the Board of Directors. In any election where the number of eligible candidates is less than or equal to the number of open seats, term limitations are suspended.

5.3 Director Qualifications. Members must continuously meet the following requirements in order to be nominated for and to maintain a position on the Board:

- a. *Ownership in Development.* He/she must be a Member of the Association and be the record Owner of at least a ten percent (10%) fee simple interest in a Separate Interest for a period of at least one year, proof of which shall be a recorded deed. Persons holding a fee simple interest in a Separate Interest merely as security for the performance of an obligation who is not a Member shall not be eligible to serve on the Board. Property caregivers, health caregivers, lessees, and others not on title are ineligible to serve on the Board.
- b. *Co-Owners Eligible for Only One Position.* He/she must not have a record fee simple ownership interest in the same Separate Interest which is part of the Development with another person who is concurrently serving as a Director. Where two or more co-Owners concurrently seek election to the Board, only the first nomination will be effective. Two (2) co-owners may serve concurrently on the Board if they co-own at least two Separate Interests.
- c. *No Delinquent Assessments.* He/she must not be delinquent by more than sixty (60) days in the payment of any Assessment, (following proper notice, hearing, and a finding by the Board and offer of IDR).

- d. *Criminal Conviction.* He/she must not have a past criminal conviction that either (i) prevents the Association from purchasing the fidelity bond coverage required by Section 5806 of the Civil Code should the person be elected or (ii) terminate the Association's existing fidelity bond coverage as to that person should the person be elected.
- e. *Board Meeting Attendance.* He/she must not be absent from three (3) consecutive Board meetings or a total of four (4) non-consecutive board meetings in any calendar year. In the event that a Board member is absent from three (3) consecutive Board meetings or a total of four (4) non-consecutive board meetings in any calendar year, the remaining members of the Board, by majority vote, may declare a vacancy on the Board to be filled in accordance with Section 6.4 (Vacancies), below.
- f. *Disqualification.* Before disqualifying a nominee, the Association must provide the person an opportunity to participate in internal dispute resolution. (Civ. Code § 5105(e).)

5.4 Impersonal Entities. In the event an impersonal entity is an Owner and a Member, it may designate one person to stand for election to the Board as follows:

- a. *Trust.* If the record fee title to a Separate Interest is held in the name of a trust, any trustee of the trust may serve on the Board.
- b. *Corporation.* If the record fee title to a Separate Interest is held by a corporation, the president of the corporation, as designated in the corporation's minutes, may serve on the Board.
- c. *Partnership.* If the record fee title to a Separate Interest is held by a partnership, the managing partner, as designated in the partnership agreement, shall be authorized to serve on the Board.
- d. *Other Entities.* If the record fee title to a Separate Interest is held by a legal entity not described above, the majority owner of the entity may serve on the Board.

5.5 Nominations. Prior to an election, the Board shall, by written notice to all Members, solicit nominations of candidates for election to the Board of Directors. The notice shall include the qualifications for election to the Board of Directors and a cutoff date for close of nominations. Qualified candidates may nominate themselves, provided they submit their nomination prior to the date set for close of nominations. Write-in candidates and nominations from the floor of a meeting are permitted.

5.6 Voting for Directors. Members are entitled to one vote per Lot for each open seat. The candidates receiving the highest number of votes shall be elected to serve as Directors. Cumulative voting is not allowed.

5.7 No Quorum for Electing Directors. The election of Directors may occur entirely through the mail with the cutoff for balloting preceding the meeting at which the ballots are counted. There shall be no Quorum requirements for the election of Directors or the counting of election ballots. Ballots shall be counted either at an open meeting of the Board or at any membership meeting called for that purpose, following proper notice to the membership. Those persons receiving the largest number of votes shall be elected.

5.8 Uncontested Elections. In any election where the number of candidates nominated exceeds the number of vacancies, voting for directors shall be by secret written ballot. When, at the close of nominations, the number of qualified candidates nominated does not exceed the number of vacancies, the candidates may be declared elected without requiring a vote or any need for balloting, and shall take their seats on the date set for the organizational meeting.

5.9 Breaking a Tie. In the event of a tie, all other newly elected Directors shall immediately begin serving their terms. An incumbent Director whose seat was tied shall continue in office until a runoff election determines the winner for his/her seat. Only those candidates who tied for the seat shall be in the runoff. In lieu of a runoff and if the tied candidates agree, the winner may be decided by a coin toss or the drawing of names by the Inspector of Elections.

ARTICLE 6: REMOVAL OF DIRECTORS

6.1 Removal of Director by the Board. By vote at a duly noticed meeting of the Board, a majority of the Board may declare vacant the office of any Director for any of the reasons listed below. However, before any such removal may occur, the Board shall, at its next open meeting or a special open meeting called for this purpose, review evidence. The Board shall make a finding of whether the Director should be removed and, if the Board makes such finding, the Board shall remove the Director from the Board and shall record its findings and action in the minutes of the meeting.

- a. Ceases to meet the qualifications of a Director.
- b. Has been declared of unsound mind by a final order of court.
- c. Has been absent from three (3) consecutive regular meetings of the Board or four (4) total regular meetings within any calendar year.
- d. Allows a proposed contract or other transaction to be put to a vote by the Board or membership without disclosing that he or she will receive a financial benefit from the transaction.

6.2 Removal of Directors by Membership. The entire Board or any individual Director may be removed from office by a majority of those Members represented and voting at a duly held election at which a Quorum is present. In the event that any or all Directors are so removed, new Directors shall be elected as provided for in these Bylaws.

6.3 Resignation. Any Director may resign by giving written notice to the President, the Secretary, or the Board. The resignation shall take effect upon the giving of the notice unless

a later time is specified in the notice. If the resignation is effective at a future time, the resigning Director may participate in the selection of a successor to fill the vacated seat.

6.4 Vacancies. Vacancies on the Board caused by the membership's removal of one or more Directors shall be filled by the membership by means of a special election. Vacancies created other than by removal by the Members may be filled by the designation of a majority of the remaining Directors. If there are less than three Directors, vacancies may be filled by the unanimous designation of a majority of the remaining Directors. If the remaining Directors are unable to so designate a Director to fill the vacancy, then the Board may notice a special election for Members to elect a replacement Director. Each Director so appointed or elected shall hold office until the end of his predecessor's term.

ARTICLE 7: ROLE OF BOARD OF DIRECTORS

7.1 Powers. The business and affairs of the Corporation shall be controlled by the Board. In addition to the powers and duties set forth in the Corporation's Governing Documents, the Board shall have the power to perform any and all other acts that a nonprofit mutual benefit corporation is empowered to do in the administration of the Corporation's affairs, and to protect and advance the general welfare of the Corporation.

7.2 Specific Powers. For the benefit of the Corporation and the Members, the Board shall endeavor to acquire and shall pay for, out of the Operating Fund or the Reserve Fund herein provided for, the following:

- a. *Common Area Expenses*. Water, sewer, garbage, electrical, telephone and gas, other necessary utility services for the Common Area, and repair and replacement of the roads within the Development. The Corporation shall also bear the cost of maintenance and repair of the sanitary sewer system and related easements, as described in the Corporation's Governing Documents, and granted as Private Sanitary Sewer Easements on the Subdivision Map for Tract 498, Tract 530, and/or Tract 541. Painting, maintenance, repair, and landscaping of the Common Area, and such furnishing and equipment for the Common Area that the Board shall determine necessary and proper. The Board shall also have the exclusive right and duty to acquire the same for the Common Area. However, the maintenance and repair of each Lot and the improvements hereon shall be the duty and responsibility of the Owners thereof in accordance with the CC&Rs. Any and all materials, supplies, furniture, labor services, maintenance, repairs, structural alterations, insurance, taxes, or assessments which the Board is required to secure or pay for pursuant to the Governing Documents and/or the Rules and Regulations.
- b. *Manager/Authority to Delegate*. The hiring of a full-service management company must be approved by a majority of a Quorum of Members. While Directors may not delegate their duty to attend Board meetings, the Manager may attend Board meetings with consent from the Board. The Board may delegate any of its duties, powers, or functions to any person(s) or firm, to act as Manager of the Common Area, except (i) attending Board meetings and voting on motions; (ii) electing officers; (iii) filling vacancies on the Board;

(iv) appointing executive committees; and (v) approving settlement agreements. Any such delegation shall be revocable upon notice by the Board (subject to any contractual terms). In addition to the Manager, to the extent deemed advisable by the Board, other personnel necessary or proper for the operation of the Common Area may be retained (whether such personnel are employed directly by the Board or are furnished by the Manager). In the absence of any specific appointment by the Board, the Board President shall act as Manager.

- c. *Limitation of Liability.* The Board shall not be liable for any act or omission or improper exercise by the Manager of any such duty, power, function, or authority so delegated by written instrument executed by a majority of the Board.
- d. *Legal and Accounting Services.* Legal and accounting services necessary and proper in the operation of the Common Area or the enforcement of the Corporation's Governing Documents.
- d. *Fidelity Bond.* A fidelity bond naming the Manager, and such other persons as may be designated by the Board as principals and the Corporation as obligee, for the first year in an amount of at least one-half the estimated cash requirement for that year as determined hereunder, and for each year thereafter in an amount of at least one-half (1/2) the total sum collected through the Operating Fund during the preceding year.
- e. *Liens.* The Board shall have the right and power, but not the duty or responsibility for failure to do so, to pay any amount necessary to discharge any lien or encumbrance levied against the Monteville Development or any Lot or Lots therein, which may, in the Board's opinion, constitute a lien against the Common Area or any portion thereof, rather than merely against the interests of particular Owners of Lots. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it, and any costs incurred by the Board by reason of said lien shall be specifically charged and assessed to said Owner or Owners responsible. In such Board shall have all remedies available to it, whether in law or in equity in addition to or as an alternative to the right of assessment. The Board may also recover all costs including reasonable attorney's fees as determined by the Court hearing the matter.
- f. *Maintenance and Repair of Lots Affecting Common Areas.* Maintenance and repair of any lots or the improvements thereon, if such maintenance and repair is reasonable or necessary based upon considerations of health and safety, or is necessary in the discretion of the Board, as based upon expert opinion and advise wherever possible, to protect the Common Area or preserve the appearance and value of the Monteville Development, where the Owner of the Lot has failed and/or refused to perform said maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or

repair delivered by the Board or the Manager to said Owner. The Board shall levy a special assessment, according to the policies and procedures of the Corporation's Governing Documents, against the Lot or Lots of such Owner for the cost of said maintenance or repair.

- g. *Assessments.* The Board shall set the per Lot assessment to support the approved budget.
- h. *Asset Management.* The Board shall manage, in such a manner as they may deem fit, all funds and property, real and personal, either owned, received, or acquired by the Corporation. The Board shall distribute, invest, buy, sell, or dispense the same, and/or the income and profits therefrom, with the exception that approval by a majority of a Quorum of Members is required before any Common Area real estate more than six hundred (600) square feet in size is bought by, or sold by, or transferred to or from the Corporation.
- i. *Limitations of Power.* The powers of the Board shall be limited in that the Board shall have no authority to acquire and pay for, out of the Operating Fund, capital additions and improvements, other than for purposes of replacing portions of the Common Area, which costs in excess of fifteen thousand dollars (\$15,000.00), unless each such addition or improvement shall first be approved by a majority vote of the Board, and by a majority of a Quorum of Members.
- j. *Altering Policies and Procedures.* The Board shall have the authority to add, delete, amend, and/or modify the Financial Operating Procedures Manual or the Corporation's Rules and Regulations by a majority vote. Any such actions should be included in the minutes of said meeting and Members will be allowed an opportunity to request the Board to amend, modify or rescind said action(s) at subsequent Board meetings.
- k. *Limitation on Contracts.* The Board shall not enter into any construction or performance contract for a term in excess of one (1) year from the date of execution or date of commencement thereof, whichever shall be later, unless as a portion of the terms thereof, it can be proved that this Corporation may terminate and cancel said contract and each and all of the obligations thereof, by a vote of a majority of a Quorum of Members.

7.3 Enactment of Rules and Regulations. The Board may adopt, amend, and repeal operating rules, standards, and regulations to be known as Rules and Regulations, regarding any matter set forth in the Governing Documents, including: (i) the use, occupancy, and maintenance of the Development; (ii) the general health, welfare, comfort, and safety of residents in the Development; and (iii) the interpretation and implementation of the Governing Documents. The Board shall use the following procedure for adopting Rules and Regulations:

- a. *Distribution to Members.* The proposed Rules and Regulations shall be distributed to the membership at least thirty (30) days before an open Board meeting at which the Board will vote on adopting the policy. The distribution shall include a notice of the meeting and a description of the purpose and effect of the proposed Rules and Regulations.
- b. *Vote on Rules and Regulations.* At the scheduled Board meeting, the Board shall vote on adoption, amendment, or repeal of the Rules and Regulations after considering any relevant comments received from Members.
- c. *Approved Rules and Regulations.* Within fifteen (15) days of approving the Rules and Regulations, the Corporation shall deliver general notice of the rule change pursuant to Section 4045 of the Civil Code.
- d. *Applicability.* This Section shall apply to rules or policies that relate to: (i) use of the Common Area, Exclusive Use Common Areas, or Separate Interests; (ii) architectural modifications by the Members, including procedures for architectural approval; (iii) Member discipline, including fine schedules and procedures for imposing discipline; (iv) standards for payment plans for Members' delinquent assessments; (v) dispute resolution procedures; and (vi) election procedures. This Section does not apply to: (i) Common Area maintenance; (ii) decisions on specific situations that are not intended to apply generally; (iii) assessment rates; or (iv) Rules changes or the issuance of other documents that are required by law or that repeat existing law or the Governing Documents, if the Board has no discretion as to the substantive effect of the change.
- e. *Member Vote to Reverse Rule Change.* A rule or policy subject to this Section 7.3 may be overturned by the affirmative vote of at least a majority of a Quorum of Members at a special meeting called for that purpose. A rule which is reversed pursuant to this Section may not be re-adopted for one (1) year after the date of the membership vote reversing the rule change. However, the Board may at any time adopt a different rule or policy on the same subject.

7.4 No Compensation. No Officer or Director shall receive compensation for services rendered to the Corporation. However, Officers and Directors may be reimbursed for actual expenses incurred in the performance of their duties. Any Officer or Director requesting reimbursement for expenses shall provide to the Board appropriate documentation, such as a receipt, before being reimbursed by the Corporation.

7.5 Conflicts of Interest. The Corporation shall not enter into any contract with any party in which any Officer or Director of the Corporation, the Manager, management company, or any employee of the Corporation has a direct or indirect economic interest in the contract without: (i) full disclosure of the interest to the Board; (ii) full disclosure of the

interest, in the minutes of the Board meeting where the discussion occurred; and (iii) recusal from the deliberations and voting by the interested party.

7.6 Duty to Defend. The Corporation shall indemnify and defend and shall advance reasonable attorneys' fees and costs and all expenses and liabilities its Officers, Directors, Committee members, and employees reasonably incur in connection with any proceeding to which they may be a party by reason of having been an Officer, Director, Committee member, or employee of the Corporation. However, the Corporation may recover its attorneys' fees and costs from those persons who are adjudged to have acted in bad faith or in gross negligence in the performance of their duties or to be liable to the Corporation (unless the Court determines that the person is fairly and reasonably entitled to indemnity for expenses).

ARTICLE 8: MEETINGS OF THE BOARD

8.1 Member Notice of Board Meetings. Members shall be given an agenda and notice of the time and place of open session Board meetings at least four (4) calendar days prior to the meeting and of executive session Board meetings at least two (2) calendar days prior to the meeting. The notice and agenda may be given by posting the notice in a prominent place or places within the Common Area that is accessible to all Members and that has been designated for the posting of notices by the Corporation in the annual policy statement, by mail or delivery of the notice to each Separate Interest, by newsletter, inclusion in a billing statement or other properly delivered document, or by broadcast television programming, as provided for in the Davis-Stirling Act. An emergency meeting of the Board may be called if there are circumstances that could not have been reasonably foreseen which require immediate attention by the Board. In such instances, the Board shall give notice, as may be reasonable and practical.

8.2 Director Notice of Board Meetings. Notice of Board meetings shall be given to each Director, at least four (4) calendar days prior to an open meeting or at least two (2) calendar days before an executive session meeting, to the address, phone number, fax number, or e-mail address listed on the Corporation's records for the Director.

8.3 Waiver of Notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by that Director of the time and place thereof. If all of the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. Whether present at or absent from a meeting, any Director may provide a written waiver of notice or written consent to holding any meeting.

8.4 Place of Meetings. All meetings of the Board shall be held at a place designated by the Board, in or near the Development or at a suitable location in or reasonably close to the Development.

8.5 Regular Meetings. Meetings of the Board shall be held at least once per month although the Board may, for good reason, waive a monthly meeting. Otherwise, the Board shall meet monthly, on dates determined by a majority of the Board. The Board may, from time to time, adopt resolutions to have other meetings.

8.6 Special Meetings. Special meetings of the Board may be called by the President or by a majority of the Board. Such meetings may be held upon four (4) days' notice for open session meetings and upon two (2) day' notice for executive session meetings. In the event of an emergency, the Board may meet with less notice, but must post such notice to the membership and must note in the minutes of the meeting the reason why more notice could not be given.

8.7 Executive Sessions. Executive session meetings of the Board may be held as authorized by statute. Such purposes include but are not limited to: (i) litigation; (ii) the formation of contracts with third parties; (iii) Member discipline; (iv) personnel matters; (v) meeting with a Member to consider a payment plan for delinquent assessments; and (vi) to vote on the foreclosure of a delinquent assessment lien. Any matters considered in executive session shall be generally noted in the minutes of the next meeting that is open to the membership.

8.8 Quorum. A majority of the number of Directors authorized in the Bylaws constitutes a quorum of the Board for the transaction of business. Directors may not attend Board meetings by proxy and may not vote by proxy.

8.9 Adjournment of Board Meetings. A majority of the Directors present at a meeting, whether or not a quorum is present, may adjourn any Board meeting to a stated day and hour. If the meeting is adjourned for more than twenty-four (24) hours, before the adjourned meeting is held, notice of the adjournment shall be given to Directors who were not present at the time of the adjournment.

8.10 Attendance by Members. Members are entitled to attend regular and special (non-executive session) meetings of the Board. A reasonable amount of time shall be set aside during the meeting for Members to address the Board, as provided for in the Davis-Stirling Act.

8.11 Conduct of Board Meetings. The Board may establish parliamentary and other rules for the orderly conduct of its meetings. Board meetings shall be conducted by the Corporation's President or, in the President's absence, an Officer or Director designated by the Board. All questions of parliamentary procedure shall be decided in accordance with a recognized system of parliamentary procedures and/or any specific procedures the Board may adopt.

8.12 Teleconference. Members of the Board may participate in a meeting through use of a conference telephone, electronic video screen, or similar communications equipment, so long as all Directors participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

8.13 Minutes of Meetings. The minutes, minutes proposed for adoption that are marked as draft, or a summary of the minutes of Board meetings, other than executive session meetings, 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 Corporation's cost.

8.14 Recording of Meetings. Audio and video recording of meetings is prohibited by anyone other than a person authorized by the Board to record the meetings for the sole purpose of preparing official Corporation minutes.

ARTICLE 9: OFFICERS

9.1 Number and Qualifications. The Officers shall be President, Vice President, Secretary, Treasurer, and such other Officers as the Board may designate. The President may not hold more than one (1) office; however, any two (2) of the remaining offices may be held by a single person. All of the required officers shall be Members of the Corporation in good standing who have lived at Monteville a minimum of twelve (12) months.

9.2 Election of Officers. The Board shall meet to select the Officers of the Corporation immediately after, or as soon as practicable after the results of the election of Directors are announced. If the meeting of the Board for selection of Officers occurs at a separate meeting from the one where the Directors were elected, the Board shall give notice to all Members, consistent with notice requirements. If the meeting is held immediately following the annual meeting, notice to the newly elected Directors is not necessary to legally constitute the meeting, provided that a majority of the Board is present. The designation of Officers shall be by secret written ballot.

9.3 Term of Office. Officers shall hold office at the pleasure of the Board. Officers shall be appointed by the Board and shall hold office until the annual election of Directors or such time as they resign, are removed, or are otherwise disqualified to serve. Within thirty (30) days of the election of Directors each year, the Board shall reappoint Officers. The same persons may be appointed to the same offices.

9.4 Removal and Resignation. Any Officer may be removed at any time by the vote of a majority of all the Directors then in office, at any regular or special meeting of the Board at which a quorum is present. Any Officer may resign at any time by giving written or verbal notice to the Board. Any such resignation shall take effect on the date the notice is given unless a later date is specified in the notice.

9.5 Vacancies. A vacancy in any office, because of death, resignation, removal, disqualification, or any other cause, shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

9.6 President. The President shall be the principal executive Officer of the Corporation and shall, subject to the control of the Board, supervise, direct, and control all of the business and affairs of the Corporation. The President shall preside at all meetings of the Board, shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have such other powers and duties as may be prescribed by

the Board or these Bylaws. The President shall act as the spokesperson (or liaison) between the Community Manager and the Board unless the Board directs otherwise.

9.7 Vice President. In the absence or inability of the President, the Vice President shall perform all duties of the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or these Bylaws.

9.8 Secretary. The Secretary shall assist the Community Manager, when necessary, to keep or cause to be kept in the management office: (i) minutes of all meetings of the Board and the membership; (ii) the names of all Members of the Corporation and their addresses; and (iii) such other records of the Corporation's affairs as may be necessary and proper. The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board that are required by the Bylaws or by law and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws. At the President's request, the Secretary will prepare any amendments voted for by the Membership to the Bylaws and CC&Rs and obtain notarization of an officer's signature, and may record the Bylaws in the Office of the Recorder, County of Santa Cruz, California.

9.9 Treasurer. The Treasurer shall assist the Community Manager, when necessary, to keep or cause to be kept accounts of the monies, properties, and business transactions of the Corporation. The Treasurer shall oversee the Community Manager for depositing all monies and other valuables, in the name and to the credit of the Corporation, with such depositories, as may be designated by the Board. The Treasurer shall oversee the Community Manager for the dispersal of the funds of the Corporation as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of the Corporation's transactions and the financial condition of the Corporation, which shall be made a part of the minutes of Board meetings, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

9.10 Additional or Subordinate Officers. The Board may appoint one (1) or more assistant or subordinate officers to assist in the duties of the President, Treasurer, and/or Secretary, or to fulfill any other appropriate function, who need not be Members of the Corporation but shall meet any qualifications as the Board may prescribe.

9.11 Parliamentarian. The Board may also appoint a Parliamentarian to advise it on matters of parliamentary procedure.

9.12 Personal Liaison. A member of the Board shall serve as the personnel liaison to the staff and shall recommend to the Board procedures in conformance with applicable law regarding employees.

ARTICLE 10: COMMITTEES

10.1 Establishment of Committees. The Board may establish Committees as it deems appropriate and necessary to advise and/or assist the Board in carrying out its duties. The Board shall specify the task of each Committee, may limit the number of members of any Committee, may limit the term of the Committee, and may appoint Committee chairpersons, who may not be

Board members. Committee chairpersons may be appointed by the Board and, if not appointed, may be elected by members of the Committee.

10.2 Term of Office. Committees shall dissolve automatically at each annual meeting to be reappointed by the new Board at the Board's discretion. Individual Committee members and Committee chairs may be added or removed at any time by the Board, with or without cause.

10.3 Committee Authority. Except as may be otherwise provided for in these Bylaws, Committees are advisory only and shall have no authority to spend Corporation monies, other than the expenditure of their approved allocated portion of the annual Budget, which will allow committees to carry out their duties and functions. Moreover, except as may be otherwise provided for in these Bylaws, committees shall have no authority to enter into contracts, nor to direct Corporation personnel or vendors, unless expressly delegated to the committee(s) as stated in their responsibilities or approved by the Board.

10.4 Member Comments. Each Committee shall receive comments and complaints from Members on any matter within its field of responsibility. Committees shall handle or dispose of such comments or complaints as they deem appropriate or refer them to any other Committee, Director, or Officer of the Corporation also involved in that matter, or to the Board.

10.5 No Compensation. Committee membership is voluntary and members shall not be compensated for their services. However, Committee members may be reimbursed for reasonable expenses incurred in the performance of their duties.

10.6 Meetings. Committees shall meet from time to time as may be necessary to perform their duties. Committees shall make interim reports to the Board during the course of their task and shall make a final report to the Board upon completion of their tasks. Committee meetings shall be open to Members, except for the Personnel Committee.

10.7 Conflicts of Interest. No Committee member may participate in or make recommendations on any matter which involves a Committee member or a member of his/her own family or in which a Committee member or a member of his/her family has a direct or indirect financial interest.

10.8 Ad-Hoc Committees. The Board may appoint Ad-Hoc Committees as provided for by law.

10.9 Standing Committees. There shall be the following Standing Committees, subject to the Board's power to form and disband committees as circumstances dictate. Detailed information about the work of each Committee is found in the Committee manual and other manuals and policies of the Corporation. All Monteville events must be coordinated through the Community Manager.

- a. *Bylaws Committee.* The Bylaws Committee ("BC") Recommends to the Board of Directors actions to be taken about our Governing documents.

- b. *Housekeeping Committee.* The Housekeeping Committee (“HC”) shall oversee the janitorial workers, inspect common area buildings, and recommends needed improvement or changes.
- c. *Nominating/Election Committee.* The Nominating/Election Committee (“NEC”) shall support the appointed inspector(s) of elections in all aspects of conducting elections and obtaining candidate nominations in accordance with the Bylaws and Election Rules.
- d. *Recreation Committee.* The Recreation Committee (“RC”) oversees our recreation facilities and equipment in cooperation with the Park Service Foreperson.
- e. *Safety Committee.* The Safety Committee (“SC”) responds to Residents’ concerns, and also suggests ideas to improve safety in Monteville.
- f. *Senior Resource Committee.* The Senior Resource Committee (“SRC”) oversees the medical supply shed and exercise room, and distributes information and ideas for the well-being of our residents.
- g. *Social Activities Committee.* The Social Activities Committee (“SAC”) promotes fellowship for Monteville by planning and overseeing social functions and the facilities used for these events.

10.10 Standing Committee Term. The Board of Directors shall appoint the chairpersons of the committees. Each committee chairperson shall select his or her own committee members, preferably not less than three, and submit them to the Board for approval. Committees continue from board to board and its members continue to serve until their successors are chosen. Each committee shall have a Board member as a liaison to the Board of Directors but he/she will not have any vote on the committee. No Board member may be a chairperson of any committee. All committees shall be advisory only and shall not commit the Board to any action or expenditure unless specifically directed in writing to do so by the Board of Directors. Each committee may form subcommittees as deemed necessary, subject to Board approval and regulation. Reports and recommendations shall be given to the Board in writing at least seven days prior to the next Board meeting. Any committee decision may be appealed to the Board of Directors.

10.11 Board Discretion Regarding Standing Committees. From time to time, as needed, the Board may, at its discretion, create new Standing Committees and/or disband existing Standing Committees, by majority vote of the Board.

ARTICLE 11: BUDGETS, RESERVES, AND FINANCIAL STATEMENTS

11.1 Review of Accounts. The Board shall do the following not less frequently than quarterly, in accordance with the Davis-Stirling Act:

- a. *Operating Accounts.* Cause a current reconciliation of the Corporation’s operating accounts to be made and review the same.

- b. *Reserve Accounts.* Cause a current reconciliation of the Corporation's Reserve Accounts to be made and review the same.
- c. *Actual to Budget.* Review the current year's actual revenues and expenses compared to the current year's budget for the Corporation's Operating and Reserve Accounts.
- d. *Bank Statements.* Review and cause to be reconciled the most current account statements prepared by the financial institution where the Corporation has its Operating and Reserve Accounts.
- e. *Income and Expense Statements.* Review an income and expense statement for the Corporation's Operating and Reserve Accounts.

11.2 Operating Budget. In consultation with the Community Manager, Park Services Foreperson, and CPA assistance, (if needed), the Board shall annually prepare an estimated operating budget for the next fiscal year. The budget shall include the following, in accordance with the Davis-Stirling Act:

- a. *Revenue and Expenses.* The estimated revenue and expenses on an accrual basis.
- b. *Reserves.* A summary of the Corporation's Reserves, based on the most recent review or study, which shall be printed in bold type and include: (i) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component; (ii) the current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; and (iii) the current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components, as of the end of the fiscal year for which the study is prepared.
- c. *Special Assessments.* A statement as to whether the Board has determined or anticipates that the levy of one or more Special Assessments will be required in order to repair, replace, or restore any major component or to provide adequate Reserves therefor.
- d. *Reserve Procedure.* A general statement addressing the procedures used for the calculation and establishment of Reserves to defray the costs of future repair, replacement, or additions to those major components that the Corporation is obligated to maintain.
- e. *Summary in Lieu of.* In lieu of the distribution of the budget, the Board may elect to distribute a summary of the budget to all Members, with a written notice, in at least 10-point boldface type on the front page of the summary, that the budget is available at the business office of the Corporation or at another suitable location and that copies will be provided upon request, at the Corporation's expense.

- f. *Revised Budget.* If the Board, in its reasonable discretion, deems it necessary at any time during the course of its fiscal year to adjust or modify the budget, it may do so and copies of the revised budget shall be sent to all Members within thirty (30) days of its adoption by the Board.

11.3 Annual Review. An annual review of the financial statement of the Corporation shall be prepared in accordance with Generally Accepted Accounting Principles by a licensee of the California State Board of Accountancy. A copy of the review of the financial statement shall be distributed to all Members within one hundred twenty (120) days after the close of each fiscal year.

11.4 Reserve Study. The Reserve study shall be reviewed annually and at least once every three (3) years, the Board shall cause a site-review study of the Reserve account to be performed. The study shall, at a minimum, include:

- a. *Major Components.* Identification of those major components of the Common Areas which the Corporation is obligated to repair, replace, restore, or maintain.
- b. *Remaining Life.* Identification of the probable remaining useful life of the components, as of the date of the study.
- c. *Cost to Repair or Replace.* An estimate of the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life.
- d. *Annual Contribution.* An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components during and at the end of their useful life, after subtracting total Reserve funds as of the date of the study.
- e. *Reserve Funding Plan.* A reserve funding plan that indicates how the Corporation plans to fund the annual contribution to meet the Corporation's obligations for the repair and replacement of all major components with an expected remaining life of thirty (30) years or less, not including those components that the Board has determined will not be replaced or repaired. The plan shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan. The plan shall be adopted by the Board of Directors at an open meeting before the membership of the Corporation. If the Board of Directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the Board.

11.5 Approval of IRS Resolution. The Membership may approve an IRS Resolution that any excess income for the current year shall be applied to the next fiscal year, as provided by IRS Revenue Ruling 70-604. Neither secret balloting nor a Quorum is required for this approval.

ARTICLE 12: INSPECTION OF RECORDS

12.1 Maintenance of Records. The Corporation shall keep or cause to be kept records of the Corporation as follows:

- a. A membership register, setting forth all names, mailing addresses, and telephone numbers of the Members (as may be changed from time to time by written notice from the Member to the Board of Directors);
- b. The Corporation's governing documents, minutes of the meetings of the Board, and minutes of meetings of the membership; minutes shall be kept in written form; other records may be kept in written form or any other form capable of being converted into clearly legible paper form;
- c. Financial records and books of account of the Corporation, including a chronological listing of all receipts and expenditures of funds and a separate account for each Assessment levied or charged against each Separate Interest or Member, the dates when so assessed and when due, the amounts paid thereon, and the balance, if any, of any Assessment remaining unpaid; and
- d. All other documents required to be made available to Members under this Article. Such additional documents shall be kept for at least the time frame during which Members are entitled to inspect them, as stated below.

12.2 Records Subject to Inspection. The Corporation shall make the following documents available for inspection and copying by any Member or a representative designated in writing by the Member:

- a. The Annual Budget Report (Civ. Code § 5300), and any financial document or statement required to be distributed annually to Members;
- b. Interim unaudited financial statements, periodic or as compiled, containing any of the following, which shall be prepared in accordance with Generally Accepted Accounting Principles: (i) balance sheet; (ii) income and expense statement; (iii) budget comparison; and (iv) general ledger, showing all transactions that occurred in the Corporation's account over a specified period of time;
- c. Executed contracts, not otherwise privileged under law;
- d. Board-approved vendor or contractor proposals or invoices;
- e. State and federal tax returns;
- f. Reserve summary (Civ. Code § 5565), reserve account balances and records of payments made from Reserve Accounts;

- g. Meetings, agendas, and minutes of meetings of the Members, the Board, and any Committees appointed by the Board; excluding, however, minutes, and other information from executive sessions of the Board;
- h. Check registers;
- i. The Corporation's Governing Documents;
- j. "Enhanced association records" (Civ. Code § 5200), which are defined as invoices, receipts, and canceled checks for payments made by the Corporation, purchase orders approved by the Corporation, credit card statements for credit cards issued in the name of the Corporation, statements for services rendered, and reimbursement requests submitted to the Corporation, provided that the person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request;
- k. The Corporation's membership list, includes each Member's name, property address, and mailing address. The Member requesting the list shall state the purpose for which the list is requested, and which purpose shall be reasonably related to the requester's interest as a Member. If the Corporation reasonably believes that the information in the list will be used for another purpose, it may deny the Member access to the list. A Member of the Corporation may opt out of the sharing of his or her name, property address, and mailing address by notifying the Corporation in writing that he or she prefers to be contacted via the alternative process in subdivision (c) of Section 8330 of the Corporations Code. To do so, a Member must send to the Corporation his or her written request to "opt out." What this means is that if any Member requests a copy of the Corporation Membership list to send out any communication, that Member will not receive the names and addresses of those Members who have "opted out." However, the "alternative" is that the Member distributing materials may request that the Association send out the communication to all Members or those who opted out, at the expense of the Member distributing the material. This opt-out shall remain in effect until changed by the Member.
- l. Documents for prospective purchasers, which shall be supplied by the Owner of that separate interest (Civ. Code § 4525).
- m. Any policy changes (Civ. Code § 4525).

The association may bill the requesting member for the direct and actual cost of copying and mailing requested documents. The association shall inform the member of the amount of the copying and mailing costs, and the member shall agree to pay those costs, before copying and sending the requested documents (Civ. Code § 5205).

In addition to the direct and actual costs of copying and mailing, the association may bill the requesting member an amount not in excess of ten dollars (\$10.00) per hour, and not to exceed

two hundred dollars (\$200.00) total per written request, for the time actually and reasonably involved in redacting an enhanced association record. If the enhanced association record includes a reimbursement request, the person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request. The association shall inform the member of the estimated costs, and the member shall agree to pay those costs, before retrieving the requested documents (Civ. Code § 5205).

12.3 Records Not Subject to Inspection. The following records are not subject to inspection:

- a. Executive session minutes of the Board;
- b. Personnel records (other than payroll records);
- c. Litigation files or records protected by the attorney-client privilege;
- d. Pending contracts;
- e. Legal invoices (however, Members do have the right to know how much money is being spent on legal matters);
- f. Records likely to lead to identity theft;
- g. Records likely to lead to fraud;
- h. Records reasonably likely to compromise the privacy of an individual Member (such as owner records, including goods or services provided to Members for which the Corporation received monetary consideration other than assessments);
- i. Disciplinary actions, collection activities, or payment plans of other owners;
- j. Personal information, including a social security number, tax id number, driver's license number, credit card account numbers, bank account number, or bank routing number; and
- k. Interior architectural plans for individual homes.

12.4 Limitation on Availability of Records. As provided for in the Davis- Stirling Act, Corporation records for the current fiscal year and for each of the previous two (2) fiscal years shall be made available for inspection and copying. However, minutes of Member meetings, Board meetings, and meetings of Committees with decision-making authority shall be permanently available for inspection and copying. All records are subject to redacting, as provided for by law.

12.5 Deadlines for Producing Records. The Corporation must produce records within the following time frames pursuant to the Davis-Stirling Act:

- a. Minutes of Member and Board meetings: within thirty (30) calendar days of the meeting;
- b. Minutes of Committees with decision making authority: within fifteen (15) calendar days following approval of the minutes;
- c. Records for the current fiscal year: within ten (10) business days from receipt of the request;
- d. Records for the previous two (2) fiscal years: within thirty (30) calendar days from receipt of the request;
- e. Any record or statement available pursuant to Sections 5300 (budget, reserves, lien policies, insurance, financial statement, etc.) or Section 4525 (governing documents, assessments, violations, construction defects, etc.) of the Civil Code or any successor statutes: within the timeframe specified by statute; and
- f. Membership list: within five (5) business days of the Corporation's receipt of a Member's written request.

12.6 Inspection and Copying Procedure. The Corporation shall make the above Corporation records available for inspection and copying in the Corporation's business office within the Development. If the Corporation does not have a business office within the Development, the Corporation shall make the specified Corporation records available for inspection and copying at a place agreed upon by the Member and the Corporation. If the Corporation and the Member cannot agree upon a place for inspection and copying, or if the Member requests, in writing, copies of specifically-identified records, the Corporation may mail copies of the requested records to the Member by first-class mail.

12.7 Redacting Information. The Corporation may withhold or redact information from the Corporation records, as provided for by law.

12.8 Members' Use of Records. Members may not sell Corporation records, use them for commercial purposes, or use them for any purpose not reasonably related to their interest as a Member of the Corporation.

12.9 Production Fees. The Corporation may bill the requesting Member for copying, redacting, and mailing the requested records as permitted by the Davis-Stirling Act.

ARTICLE 13: DISCLOSURES

13.1 Distribution of Disclosures. Upon written consent of members, associations may distribute documents and disclosures electronically; otherwise, all documents must be distributed by "first-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier." The annual budget report and annual policy statement shall be made available to the members as a full report or a summary of the report as provided for in Section 5320 of the Civil Code.

13.2 Annual Budget Report. An association shall distribute an annual budget report thirty (30) to ninety (90) days before the end of its fiscal year including all of the following information:

- a. A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis;
- b. A summary of the association's reserves, which, among other elements, shall include (Section 5565 of the Civil Code):
 - i. The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.
 - ii. The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.
 - iii. The percentage that the amount determined for purposes of paragraph (ii) equals the amount determined for purposes of paragraph (i).
 - iv. The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of paragraph (2) of subdivision (b) from the amount determined for purposes of paragraph (1) of subdivision (b) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation.
- c. A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of Section 5550 of the Civil Code. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request;
- d. A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repairs or replacement;
- e. A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to Section 5560 of the Civil Code, has determined, or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment;
- f. A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments,

borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms;

- g. A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, and may not assume a rate of return on cash reserves in excess of two (2) percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made;
- h. A statement as to whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired; and
- i. A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement:

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

13.3 Assessment and Reserve Funding Disclosure Summary Form. The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Section

5570 of the Civil Code, shall accompany each annual budget report or summary of the annual budget report.

13.4 Annual Policy Statement. Within thirty (30) to ninety (90) days before the end of its fiscal year, the board shall distribute an annual policy statement that provides the members with information about Corporation policies. The annual policy statement shall include all of the following:

- a. The name and address of the person designated to receive official communications to the Corporation, pursuant to Section 4035 of the Civil Code;
- b. A statement explaining that a member may submit a request to have notices sent to up to two (2) different specified addresses, pursuant to subdivision (b) of Section 4040 of the Civil Code;
- c. The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Section 4045 of the Civil Code;
- d. Notice of a member's option to receive general notices by individual delivery, pursuant to subdivision (b) of Section 4045 of the Civil Code;
- e. Notice of a member's right to receive copies of meeting minutes, pursuant to subdivision (b) of Section 4950 of the Civil Code;
- f. The statement of assessment collection policies required by Section 5730 of the Civil Code;
- g. A statement describing the Corporation's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments;
- h. A statement describing the Corporation's discipline policy, if any, including any schedule of penalties for violations of the governing documents pursuant to Section 5850 of the Civil Code;
- i. A summary of dispute resolution procedures, pursuant to Sections 5920 and 5965 of the Civil Code;
- j. A summary of any requirements for Corporation approval of a physical change to property, pursuant to Section 4765;
- k. The mailing address for overnight payment of assessments, pursuant to Section 5655; and
- l. Any other information that is required by law or the governing documents or that the board determines to be appropriate for inclusion.

13.5 Minutes. The Board shall notify Members of their right to receive minutes and how and where those minutes may be obtained at the time the budget is distributed or at the time of any general mailing to the entire membership of the Corporation.

13.6 Financial Statement. The Board shall annually distribute to the Members, within one hundred twenty (120) days of the close of the fiscal year pursuant to Section 5305 of the Civil Code, a review of the Corporation's financial statement for any fiscal year in which the gross income of the Corporation exceeds seventy-five thousand dollars (\$75,000.00).

13.7 Reserve Transfers for Litigation. The Board shall notify Members, in its next available mailing, of any transfers from Reserves to pay for litigation pursuant to Section 5520 of the Civil Code.

13.8 Other Disclosures as Required by Law. The Board shall make such other applicable disclosures as required by law.

ARTICLE 14: RULES ENFORCEMENT AND DISPUTE RESOLUTION

14.1 Rules Enforcement Procedures. Fines may not be imposed except as follows; all suspensions of membership and use privileges shall be in accordance with Article 2. Further information shall be provided in the Monteville Complaints and Rule Enforcement Procedure Manual (MCREP).

- a. *Notice of Hearing*. The Board shall set a hearing date and notify the Member in writing at least ten (10) days in advance, either personally or by prepaid first-class or registered mail, to the most recent address of the Member as shown on the Corporation's records. The notice shall set forth the date and nature of the violation, the proposed penalty, and the Member's right to present evidence in his or her defense, either in writing or in person, at the hearing.
- b. *Hearing*. The hearing shall be held in executive session unless the Member requests otherwise.
- c. *Notice of Decision*. Within fifteen (15) days after the Board makes a decision on imposition of any penalty or fine, notice of the decision shall be given to the Member, which shall specify the violation and the penalty imposed. In the event the Corporation suspends voting rights or privileges, the suspension does not take effect until five (5) days after the notice of decision is given to the Member.

14.2 Internal Dispute Resolution. If the Corporation and a Member are involved in a dispute involving their rights, duties, or liabilities under California law or the Governing Documents, either the Corporation or the Member may request internal dispute resolution, as provided for in the Corporation's Rules and Regulations, pursuant to the Davis-Stirling Act.

14.3 Pre-Litigation Dispute Resolution. Before filing suit for actions for declaratory, injunctive, or writ relief, either alone or in conjunction with a money claim of five thousand dollars (\$5,000.00) or less, the party seeking to litigate the matter shall offer alternative dispute resolution, pursuant to the procedures described in the Davis-Stirling Act.

ARTICLE 15: MISCELLANEOUS

15.1 Fiscal Year. The fiscal year of the Corporation shall be the twelve (12) month period from August 1st of each year through July 31st of the next year unless a different fiscal year is adopted by the Board.

15.2 Indemnification of Members. No Member of the Corporation shall be personally liable to its creditors for any indebtedness or liability, and any and all creditors shall look only to the assets of the Corporation for payment. This paragraph shall in no way affect the ability of the Corporation to assess the Membership of the Corporation pursuant to the Corporation's Governing Documents.

15.3 Indemnification of Directors, Officers, and Employees. To the fullest extent permitted by law, the Corporation shall indemnify its Directors, officers, employees, and other persons described in Section 5238(a) of the California Corporation Code, including persons formerly occupying any such position against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in Section 5238(a) and including any action or in the right of the Corporation, by reason of the fact that the person is or was a person described in Section 5238(a). "Expenses" as used in these Bylaws shall have the same meaning as in Section 5238(a) of the California Corporation Code.

15.4 Property Interest upon Termination of Membership. If any Member shall cease to be such, any interest he/she shall have in and to the property, assets, and privileged of the Corporation shall cease and revert to the Corporation and such cessation of Membership shall operate as a release and assignment to the Corporation of all the rights, title and interest of such Member in and to the property, assets and privileged of the Corporation; provided, however, that any cessation of Membership shall not affect any indebtedness of the Corporation to such Member.

15.5 Singular Includes Plural. Wherever the context of these Bylaws requires, the singular shall include the plural and the masculine shall include both feminine and the neuter.

15.6 Conflicts. In the case of any conflict, the CC&Rs shall prevail over the Articles of Incorporation, which shall prevail over the Bylaws and the Bylaws shall prevail over the Rules.

15.7 Amendments. These Bylaws may be modified, amended, or replaced with new Bylaws as follows:

- a. *Amendment by Members.* These Bylaws may be modified, amended, or replaced with new Bylaws by a majority of the total voting power of the

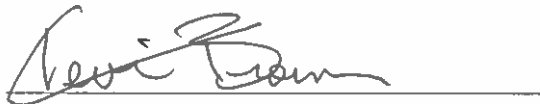
membership excluding any Owner's whose membership rights have been legally suspended.

- b. *Amendment to Conform to Statute.* If at any time a provision in these Bylaws contradicts current law, according to a written opinion of the Corporation's legal counsel, the Board of Directors will have the authority, on the unanimous approval of the Directors and without approval of the Members, to amend that provision, but only to the extent necessary to render the provision compliant with applicable law.
- c. *Recording of Bylaws Permitted.* Should the Bylaws be amended per paragraphs (a) or (b) above, the Board shall have the right, but not the obligation, to record said amendments with the Santa Cruz County Recorder's Office. Any amendment in compliance with Section 15.7 shall not require recording in order to be legally operative.

CERTIFICATION

WE CERTIFY this day 19 of December, 2024, that these Restated Bylaws have been duly approved and adopted by the membership of Montevalle of Scotts Valley, Inc.

MONTEVALLE OF SCOTTS VALLEY, INC.

A handwritten signature in cursive script, appearing to read "David Brown", written over a horizontal line.

PRESIDENT

A handwritten signature in cursive script, appearing to read "Kelly M. Rios", written over a horizontal line.

SECRETARY

1000

CALIFORNIA JURAT

GOVERNMENT CODE § 8202



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

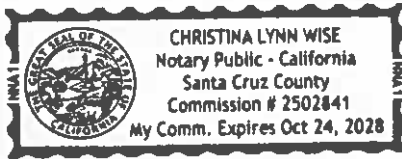
County of Santa Cruz

Subscribed and sworn to (or affirmed) before me on this 19th day of December, 20 21, by
Date Month Year

(1) Kevin Brown

(and (2) Shelley M. Rosiak Neal),
Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



Place Notary Seal and/or Stamp Above

Signature Christina Lynn Wise
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Restated Bylaws - Monteville of Scotts Valley

Document Date: _____ Number of Pages: 32

Signer(s) Other Than Named Above: _____



