

**BYLAWS OF
HARTZELL HOMEOWNERS ASSOCIATION, INC.
(As Revised in 2016)**

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**BYLAWS OF
HARTZELL HOMEOWNERS ASSOCIATION, INC.
(As Revised in 2016)**

These revised **Bylaws** of the Hartzell Homeowners Association, Inc. ("**Bylaws**") supersede and replace any and all earlier **Bylaws** and amendments thereto ("Former Bylaws"). These **Bylaws** are a companion document to the **Declaration** and defined terms (in bold) in these **Bylaws** have the same meaning as in the **Declaration**.

**ARTICLE I
ASSOCIATION GENERALLY**

Section 1.1. Name and Location. The name of this Nonprofit Mutual Benefit Corporation is "Hartzell Homeowners Association, Inc." (hereinafter referred to as the "**Association**"). The principal location of the **Association** is in the City of San Rafael, County of Marin, State of California.

Section 1.2. Purpose. The purposes of the **Association** are:

1.2(a) to control, own, repair, maintain, manage, protect and/or enhance the **Common Areas** and common facilities;

1.2(b) to generally enforce and implement the **Governing Documents** of the Hartzell Homeowners Association, Inc., including the **Declaration** and the rules;

1.2(c) to enhance and promote the use and enjoyment of the **Common Areas** and common facilities by the residents and/or **Members**;

1.2(d) to enhance and protect property values and the quality of life of residents;

1.2(e) to maintain the aesthetic and architectural standards of Hartzell;

1.2(f) to maintain the exteriors of the **Residences** as specified in the **Declaration**.

**ARTICLE II
MEMBERSHIP**

Every **Owner** of a **Residence** within Hartzell is a **Member** of the **Association**. Membership in the **Association** is linked to, and may not be separated from, ownership of any **Residence**. Upon the sale, conveyance or other transfer of an **Owner's** interest, the **Owner's** membership shall automatically transfer to the new **Owner(s)**. **Residence**, as used in this context, includes the entire separate interest (whether improved or not) owned by the **Member** (see generally, definition of **Lot** under the **Declaration**).

ARTICLE III

MEMBER VOTING AND MEETINGS

Section 3.1. Member Voting Rights. On each matter submitted to a vote of the **Members**, each **Member** shall be entitled to cast one vote for each **Lot** owned by such **Member**. When more than one (1) **Person** owns an interest in a single **Lot**, any vote cast by a single **Member** shall be deemed the authorized vote for that **Lot**. If more than one ballot is received for a **Lot**, the first ballot received shall be counted and no subsequently received ballot shall be recognized.

Section 3.2. Voting Policy. **Member** decision-making shall be accomplished in accordance with the law as supplemented by the **Association's** voting policy. Voting by **Members** is by ballot, which may be cast by mail (or otherwise delivered) and/or cast at a **Member** meeting. **Member** voting shall be conducted by secret ballot, as required by law. While return mail may be the most commonly used, hand-delivery, or such other method of return specified by the **Board** can be used at the discretion of the **Board**.

3.2(a) Voting and Election Procedures.

3.2(a)(1) When any issues are put to a vote of the **Members**, if required by law ([Civil Code §5100](#)), direct ballots by mail will be used. The specific procedures to accomplish this type of secret ballot vote shall be set forth in a policy adopted by the **Board**. Even if there is no policy, the provisions of Civil Code [§5100-§5145](#) still apply. The ballots and instructions will be delivered to **Members** at least 30 days before the close of voting. The ballots can be returned by mail or otherwise as provided by the Voting Policy and/or the ballot material. Prior to opening the received ballots, the **Board** may reasonably extend the voting period to achieve greater **Member** participation.

3.2(a)(2) If the **Board** opts to permit casting of ballots at a meeting, the Voting Policy or voting instructions delivered with the ballot shall describe the process.

3.2(a)(3) The counting of the ballots will be conducted by one or three Inspector(s) of Election at the scheduled **Board** meeting or general membership meeting referenced in the balloting material.

3.2(b) Inspector(s) of Election. The **Board** shall appoint one or three individuals to be "Inspectors of Election." The job of the Inspector(s) is to assure confidentiality in the voting, to process and count ballots as well as to make judgment calls if there is a problem in the paperwork. An Inspector of Election must be an independent third party (i.e., a non-**Member** or a **Member** of the **Association** but not a member of the **Board**, candidate or a co-owner with either, or an immediate family member of a **Board** member or candidate). The **Board** may appoint the manager as an Inspector. The Inspectors of Election have the following authority:

3.2(b)(1) Determine the number of memberships entitled to vote and the **Voting Power** of each.

- 3.2(b)(2)** Receive ballots, direct how they are to be received.
- 3.2(b)(3)** Disqualify subsequent ballots received from a **Member** after receipt of the first ballot from that **Member** or co-**Owner**.
- 3.2(b)(4)** Disqualify any ballot that is not an Official Ballot prepared by the **Association**.
- 3.2(b)(5)** Appoint, direct and supervise assistant(s) to help with the balloting and tally process.
- 3.2(b)(6)** Exercise discretion to fix a record date of ownership for determining membership right to vote
- 3.2(b)(7)** When an unsigned ballot envelope is received, utilize discretion as to if and how the **Member** may be given an opportunity to sign the envelope prior to the start of opening envelopes and counting.
- 3.2(b)(8)** Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- 3.2(b)(9)** Count and tabulate all votes.
- 3.2(b)(10)** Determine or confirm when the voting (or polling) shall close.
- 3.2(b)(11)** Determine the result(s) of the voting.
- 3.2(b)(12)** Address any other irregularities which may arise during the voting process.
- 3.2(b)(13)** Unless specified in the **Association's** Voting Policy, determine a method to break tie votes in election of Directors (which may include "drawing straws", involved candidates' agreement and directions, or other reasonable method).
- 3.2(b)(14)** Control custody of the ballots for a period of 12 months following the election.
- 3.2(b)(15)** Control and oversee any post-election **Member** request to review the ballots.
- 3.2(b)(16)** May certify the use of acclamation as provided in [Section 3.3\(a\)\(4\)](#).

The Inspector(s) of Election may also take other actions to assure fairness in the election process and compliance with the voting policy.

Section 3.3. Other Voting Provisions.**3.3(a) Election of Directors.**

3.3(a)(1) Nominations. Any **Member** in good standing may put his or her own name into nomination or be nominated by another **Member**. The **Board** may appoint a Committee to solicit **Members** to run for the **Board**. The close of nominations may be anytime specified by the **Board**, typically to coincide with the printing/distribution of ballots. If, at the close of nominations, the number of qualified nominees is equal to or less than the number of Directors to be elected, the **Board** may extend the nominations period to encourage greater participation in the electoral process.

3.3(a)(2) No Write-In Voting. “Write-in” candidates are not permitted.

3.3(a)(3) No Cumulative Voting. There shall be no cumulative voting.

3.3(a)(4) Acclamation. Acclamation is a form of election that dispenses with **Member** balloting when the number of **Director** candidates equals or is less than the number of positions up for election. If at the close of nominations the number of qualified nominees is equal to or less than the number of **Directors** to be elected, the **Board** may declare that all of the qualified nominees are elected without further action if the **Board** makes the following findings:

- The **Board** has made a good faith effort to encourage **Members** to volunteer as candidates,
- The **Board** has publicized a fixed time that cuts off nominations prior to distribution of the ballots, and
- Write-in candidates are not permitted.

Within 15 days following the meeting at which acclamation has been used, the **Board** shall send notice to **Members** that the candidates have been elected by “acclamation.” Alternately, the **Board** may mail out ballots, notwithstanding the inevitable result or extend the nominations period in order to encourage greater candidate participation.

3.3(b) Quorum Requirements. The following threshold approval requirements for **Member** balloting shall apply for those subjects not otherwise addressed by statute or the **Governing Documents**. In all instances, the **Board** may extend the time for voting so that at least a quorum or greater number of **Members** participate in the vote.

3.3(b)(1) Election (or Recall) of Directors. For purposes of election of Directors, a quorum equals the number of ballots received (see also [Section 4.2\(e\)](#)). Recall of Director(s) is addressed under [Section 4.2\(h\)\(3\)](#).

3.3(b)(2) Assessment Decisions. A **Member** vote regarding increase in **Assessments** or approval of Special **Assessments** has a quorum which is defined by statute as more than 50% of the **Voting Power** (See **Section 4.2(b)** of the **CC&Rs**). _

3.3(b)(3) IRS Resolution. If the **Members** are asked to vote and prospectively approve the rollover of any excess operating funds for the upcoming Fiscal Year End (*IRS Revenue Ruling 70-604*), approval shall be by approval of a majority of a quorum, with a quorum defined for this purpose as the number of ballots received.

3.3(b)(4) Member Rule Reversal. In the event that the **Board** adopts, amends or changes a rule or policy and the **Members** seek to reverse the rule or policy pursuant to the provisions in the **Davis-Stirling Act**, reversal shall require the approval of a majority of the **Voting Power** of the **Members**.

3.3(b)(5) Other Member Votes. A decision requiring “approval of the **Members**” (not otherwise addressed by statute or the **Governing Documents**) shall be subject to approval of a majority of a quorum of **Members**, with a quorum defined as at least fifty percent (50%) of the **Voting Power**. (Based on 48 **Lots**, quorum means the participation of **Members** representing at least 24**Lots**. Once quorum is achieved, approval is by a majority of **Lots** voting.)

3.3(c) Contract Purchasers. A **Member** who uses an installment contract to sell or convey his or her **Lot** to a purchaser (“Contract Purchaser”) must delegate his or her membership rights in the **Association**. Any such delegation shall be in writing and shall be delivered to the **Board** before such Contract Purchaser may vote. However, the seller shall remain jointly and severally liable for all charges and **Assessments** until fee title to the **Lot** is transferred.

3.3(d) No Proxies. Proxies shall not be permitted.

Section 3.4 Member Meetings. This section addresses both the Annual Informational Meeting (which need not be quorum-qualified) and a process to address voting at a quorum-qualified meeting, should the situation arise. Notice of meetings is addressed in [Article VI](#).

3.4(a) Types of Member Meetings.

3.4(a)(1) Annual Report and Informational Meeting. The **Board** shall have discretion to schedule and conduct an Annual Report to **Members** Meeting to be held in the first quarter of each calendar year. Any such meeting shall be held on the premises or at a location within a reasonable distance. There shall be no **Member** quorum requirements to convene and conduct this as an informational meeting. The meeting may be simultaneously conducted as a **Board** meeting so the **Board** can make decisions relevant to the subject matter. Secret balloting conducted by mail may be coordinated with or independent of the Annual Report and Informational Meeting (“Annual Meeting”). If the

Board opts to convene a meeting of **Members** at which “live” voting occurs, any ballots received by mail (or otherwise) shall be counted toward any applicable quorum. Voting for Directors (and any related **Member** approvals) may be conducted before, during or after and may be independent of the Annual Report Meeting. At the time of the mailing of the ballots and/or other voting material, the instructions shall explain how the voting will be conducted and what the deadlines are.

3.4(a)(2) Special Meeting of the Members.

3.4(a)(2)(i) A Special Meeting of the **Members** may be called at any time by the President or by two Directors. Additionally, a Special Meeting of the **Members** shall be promptly called by the **Board** upon receipt of a written request signed by **Members** representing not less than five percent (5%) of the total **Voting Power** of the **Association**. Only those matters specifically described in the special meeting notice may be addressed at the special meeting. _

3.4(a)(2)(ii) So long as Corporations Code [§7511](#) provides that **Members** can petition the **Board** to conduct a Special Meeting of the **Members**, and if the purpose of the Special Meeting is to conduct a **Member** vote (such as recall one or more Directors), then the **Board** shall have the discretion to reconcile any inconsistencies between the old process of meeting-based voting with the Civil Code [§5115](#) process of balloting by mail.

3.4(a)(3) Other Member Meeting. Nothing in these **Bylaws** shall preclude the holding of a quorum-qualified meeting of the **Members** pursuant to Corporations Code [§7510\(b\)](#). Any such meeting shall be conducted in accordance with parliamentary procedures adopted by the **Board** at that time.

3.4(b) Minutes of Member Meetings. At any quorum-qualified **Member** meeting, whether regular or special, minutes shall be taken. The minutes may be approved either by a vote of the **Members** or approval of the **Board**. Approval by the **Members** shall be by majority of a quorum, with a quorum defined for this purpose as the number of votes received by ballot or otherwise. As a third option, the **Board** may appoint a committee of non-Director **Members** who are present at the meeting, to review the draft minutes, review any suggested edits and formally adopt the final minutes. Approval may be at any subsequent **Board** or **Member** meeting. The **Board** shall decide the methodology.

ARTICLE IV
BOARD OF DIRECTORS

Section 4.1. General Association Powers. The **Board of Directors** shall have the power and authority to conduct the business of the **Association**, except as may be limited by the **Governing Documents** or the law generally. Reference in the **Governing Documents** to action

by the **Association** shall mean action by the **Board**, unless the authority for the action is expressly assigned to the **Members** by the **Governing Documents** and/or applicable statutory law.

Section 4.2. Directors. All Directors shall be **Members** of the **Association**.

4.2(a) Number. The business of the **Association** shall be conducted by a **Board** of five (5) Directors.

4.2(b) Term of Office. The term for all Directors shall be two (2) years. The terms shall be staggered such that each year there are either two (2) or three (3) positions to be elected. Each Director, including a Director who fills a vacancy (either by election or appointment), shall hold office until the later of the expiration of the term for which elected or appointed or until a successor has been elected (or appointed) and qualified.

4.2(c) No Co-Owners. No more than one **Owner** of the same **Lot** may serve concurrently on the **Board**. If co-**Owners** have an ownership interest in more than one **Lot**, then no more than one co-**Owner** may serve on the **Board** at the same time.]

4.2(d) Compensation. No Director shall receive compensation for any services rendered to the **Association** as a Director. If approved by the **Board**, a Director may, however, be reimbursed for his or her reasonable expenses actually incurred in the performance of his or her duties as a Director. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice signed and dated by the Director claiming the expense.

4.2(e) Determination of Election Results and Succession to Office. Election to the **Board** shall be by secret written ballot (see generally [Section 3.2](#)) or as otherwise provided herein. The vacancies shall be filled by the **Persons** receiving the largest number of votes, up to the number of Directors to be elected. Each newly elected Director, if present, shall take office upon presentation to the **Board** of the tabulated election results. Such presentation may be a scheduled item on the agenda. If not present, he or she shall take office after notification and acceptance of the election results.

4.2(f) Vacancies Generally. A vacancy on the **Board** exists on the occurrence of any of the following:

4.2(f)(1) the disqualification, death, resignation, or removal of a Director under [Section 4.2 \(h\)](#) below; or

4.2(f)(2) a declaration of vacancy by the **Board** for any reason permitted by law.

4.2(g) Resignation. Any Director may resign by giving written or oral notice. Written resignation shall be effective on presentation to the President or Secretary, unless the notice specifies a later time. Oral notice shall be effective immediately when accepted by the **Board** and when noted in the minutes.

4.2(h) Removal. Notwithstanding provisions in [Section 4.2\(b\)](#) above, the term of any Director who is removed from office pursuant to this Section, shall end at the time of the **Board**, Court or **Member** decision described below.

4.2(h)(1) By Board. The **Board** shall have the power, authority and discretion to remove a Director and declare his or her office vacant if he or she:

4.2(h)(1)(i) has been declared of unsound mind by a final order of court;

4.2(h)(1)(ii) has ever been convicted of or pled *nolo contendere* or guilty to a felony (regardless of expungement); _

4.2(h)(1)(iii) fails to attend three (3) consecutive regular meetings of the **Board of Directors** that have been duly noticed or regularly scheduled;

4.2(h)(1)(iv) becomes more than thirty (30) days delinquent in the payment of any **Assessment**;

4.2(h)(1)(v) maintains an adversarial proceeding, such as arbitration or litigation, against the **Association** or any other Director in his or her capacity as a Director, and in which dollar damages are sought;

4.2(h)(1)(vi) maintains a continuing **CC&R** violation for which a hearing has been held, a determination of violation made and where the Director has failed to timely remedy the matter as directed by the **Board**; or

4.2(h)(1)(vii) is subject to a Court restraining order or injunction in any way related to the **Association**, the **Property**, any **Owner(s)**, or any resident.

4.2(h)(2) Arising From Court Action. The Court may remove any Director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the **Association**.

4.2(h)(3) By Members. Any or all Directors may be removed by the approval of at least a majority of **Members**.

4.2(i) Filling Vacancies. The **Board** has the general power to fill vacancies. The exception is when the vacancy is created through removal of the Director by the **Members**.

4.2(i)(1) By the Board. The **Board** can fill the vacancy by a majority vote of the remaining Directors (even if less than a quorum) or by the sole remaining Director. Alternately, the **Board** may permit the **Members** to fill a vacancy.

4.2(i)(2) By the Members. If removed by the **Members**, the vacancy shall be filled by election by the **Members**.

Section 4.3. Officers. The Officers of the **Association** shall be a President, Vice President, Secretary and Treasurer. The **Board** may, by resolution, appoint such other Officers as the **Board** deems appropriate. The **Board** has the authority to appoint non-Directors to positions as Officers. Any such non-Director Officer has no voting authority.

4.3(a) Election. The election of Officers shall take place at the first meeting of the newly elected **Board** following each election by the **Members**.

4.3(b) Term of Office. The Officers of this **Association** shall be elected annually by the **Board**. Each Officer shall hold office for one (1) year unless he or she resigns, is removed or is disqualified.

4.3(c) Resignation. Any Officer may resign by giving written or oral notice. Written resignation shall be effective on presentation to the President or Secretary, unless the notice specifies a later time. Oral notice shall be effective when accepted by the **Board** and noted contemporaneously in the minutes.

4.3(d) Removal. Any Officer may be removed and/or reassigned by the **Board** with or without cause, at any regular or special meeting of the **Board**.

4.3(e) Vacancies. A vacancy in any office may be filled by appointment by the remaining **Director(s)**. The Officer appointed to such vacancy shall serve the remainder of the term of the Officer he or she replaces.

4.3(f) Multiple Offices. The offices of Secretary and Treasurer may be held by the same Person. No Person shall simultaneously hold more than one of any of the other offices.

4.3(g) Duties of Officers. Each year the **Board** may assign one Officer the responsibility for reviewing the provisions of the **Davis-Stirling Act** and making recommendations to the **Board** of any changes in financial procedures and reporting that may be required by new or revised sections which involve financial matters. The responsible Officer may consult with the **Association's** attorney, certified public accountant, reserve study consultant, and/or manager on these matters and the **Board** may delegate to the manager the day-to-day financial business of the **Association**. Subject to appropriate delegation, the duties of the Officers are as follows:

4.3(g)(1) President. The President shall be the Chief Executive Officer of the **Association** and shall, subject to the control of the **Board**, have general supervision, direction and control of the business and Officers of the **Association**. He or she shall (i) preside at meetings of the **Board**; (ii) see that orders and resolutions of the **Board** are carried out; (iii) sign contracts and other written instruments; and (iv) have the power to co-sign all checks and promissory notes. He or she shall have such other powers and duties as may be prescribed by the **Board** or the **Bylaws**.

4.3(g)(2) Vice President. In the unavailability, absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. He or she shall have such other powers and perform such other duties, including co-signatory powers on accounts, as from time to time may be prescribed by the **Board** or the **Bylaws**.

4.3(g)(3) Secretary. The Secretary is responsible to oversee the **Association** records, minutes of all **Board** meetings and **Member** meetings, as well as **Member** rosters. The Secretary is also responsible for giving or overseeing notice of all **Board** meetings and **Member** meetings. He or she shall have such other powers and perform such other duties, including co-signatory powers on accounts, as may be prescribed by the **Board** or by the **Bylaws**.

4.3(g)(4) Treasurer. The Treasurer is responsible for overseeing or maintaining adequate and correct accounts of business transactions of the **Association**. This includes accounts of the **Association's** assets, liabilities, receipts, disbursements, reserves, and other matters customarily included in homeowner association financial statements. The financial records shall at all times be open to inspection by any Director. The Treasurer is responsible for overseeing the deposit of all monies and other valuables in the name of and to the credit of the **Association** with such depositories as may be designated by the **Board**. The Treasurer is responsible for overseeing the disbursement of the funds of the **Association** as may be directed by the **Board**, and shall render to the President and Directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the **Association**. The Treasurer has such other powers and shall perform such other duties, including co-signatory powers on accounts, as may be prescribed by the **Board**, the President or these **Bylaws**.

Section 4.4. Non-Officer/Director(s) at Large. Any Director who is not an Officer shall be called "Director-at-Large" and shall be responsible for attending meetings, reviewing meeting packets and information provided to Directors for review; voting on matters before the **Board** unless abstaining, and participating in the leadership, management, and administration of the **Association**. Directors-at-Large may also co-sign checks.

ARTICLE V

BOARD MEETINGS

Section 5.1. Board Meetings.

5.1(a) Meeting Defined. The term "meeting" shall mean any congregation of a majority of the members of the **Board** (i.e., three Directors) at the same time and place to hear, discuss or deliberate upon any item of business that is within the authority of the **Board**. However, one or more Directors may participate by teleconference (audio and/or video) so long as all Directors can hear each other and at least one person designated by the **Board** is present at a physical location where **Members** of the **Association** may attend.

5.1(b) Regular Meetings. Regular meetings of the **Board** shall be held at least quarterly. Regular meetings shall be held on the premises or within a reasonable distance and on the date and time and at a location fixed by the **Board**.

5.1(c) Annual Report to Members Meeting. The **Board** may convene a **Board** meeting to occur simultaneously with an Annual Report to **Members** Meeting.

5.1(d) Special Meetings. Special meetings of the **Board** shall be held when called by the President of the **Association**, or by any two Directors.

5.1(e) Emergency Meetings.

5.1(e)(1) Who Initiates. An emergency meeting of the **Board** may be called by the President or by any two Directors other than the President.

5.1(e)(2) Circumstances. The emergency meeting can only be called when there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the **Board**, and which of necessity make it impracticable to provide notice as required by [Article VI](#).

5.1(e)(3) Format. An emergency meeting may be conducted in the same manner as any other **Board** meeting except that electronic transmissions may be used only if all Directors consent in writing (which may be email _) to that action and the consents are filed with the minutes of the meeting.

5.1(f) Executive Session.

5.1(f)(1) The **Board** may meet in executive session to address personnel matters, formation of contracts with third parties, **Assessment** delinquencies, **Governing Document** violations, or actual or possible litigation.

5.1(f)(2) As to **Member** discipline, the **Board** has general discretion as to whether or not it will meet in executive session. Any disciplinary hearing must, however, be conducted in executive session if requested by the **Member** charged.

5.1(f)(3) The **Board** may adjourn any regular or special meeting and convene in executive session to discuss matters described above. Upon adjourning into executive session from any open meeting, the topic(s) to be discussed in such session shall be announced, in general terms, to the **Members** in attendance at the meeting.

5.1(f)(4) The **Board** may also conduct an executive session meeting independent of an open **Board** meeting. **Members** shall be given notice of the time and place of a meeting that will be held solely in executive session at least two (2) days prior to the meeting. The accompanying agenda shall be general (i.e. categorical) in nature.

Section 5.2. Notice to Directors. Notice to a Director shall be given at least four (4) days prior to the meeting and may be delivered by mail, personally, by telephone (including a voice message system), facsimile, or electronic mail or other similar means. The notice shall contain the agenda for the meeting.

Section 5.3. Quorum Requirements.

5.3(a) Quorum Generally. Three Directors shall constitute a quorum for the transaction of business. Every act done or decision made by the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the **Board**. In the event one or more Directors leaves the meeting, the remaining Directors may continue to transact business, provided that both agree on any action to be taken.

5.3(b) Quorum If Vacancies. If a quorum cannot be obtained because of three vacancies on the **Board**, the remaining Director(s) (one or two) must promptly undertake to appoint additional Directors and/or conduct an election of Director(s) by the **Members**. If there are three or more vacancies, the authority of the remaining Director(s) to pay obligations is affirmed but limited to budgeted expenses previously approved (including an adopted budget) by a duly constituted **Board** (three (3) or more Directors) and to pay for costs incurred in collection of delinquent **Assessments**.

Section 5.4. Participation by Members. With the exception of executive sessions of the **Board**, emergency meetings and any meetings conducted in a judicial proceeding or mediations, all scheduled **Board** meetings shall be open to attendance by **Members** of the **Association**, and **Members** shall be allowed to address the **Board**. Because the purpose of the **Board** meeting is for the **Board** to conduct the business of the **Association**, a reasonable time limit and time for **Members** to speak to the **Board** may be established by the **Board**. The agenda for **Board** meetings may include a specific time for **Member** comments. The **Board** may, at its discretion, exclude any person not a **Member** from the **Board** meeting.

Section 5.5. Recording. No meeting of the **Board** or any Committee may be electronically recorded without the prior consent of the **Person** presiding over the meeting.

ARTICLE VI
NOTICE TO MEMBERS

Section 6.1. Notice of Proceedings.

6.1(a) Notice of Member Meetings. Written notice of regular and special meetings of the **Members** shall be given as follows:

6.1(a)(1) Timing. Notice for a meeting shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting. As provided by the Corporations Code, a meeting called pursuant to petition of the **Members** shall be set at least thirty-five (35) but not more than ninety (90) days after receipt by the **Board** of the request.

Attendance at a meeting shall constitute a waiver of any defect in the notice, other than content.

6.1(a)(2) Delivery Methods. Written notice of a meeting may be given to each **Member** by **Individual Notice**.

6.1(a)(3) Content. Notice of a meeting shall specify the place, day and hour of the meeting. It shall also specify those matters which, at the time the notice is given, are to be presented for action by the **Members** (if any). Notice of a special meeting must state the purpose of the special meeting and no other business can be conducted.

6.1(b) Notice of Board Meetings.

6.1(b)(1) Timing. Notice of the time and place of meetings of the **Board** (except emergency meetings) shall be given to **Members** at least four (4) days prior to the meeting. Notice of executive session meetings shall be given to **Members** at least two (2) days prior to the meeting.

6.1(b)(2) Delivery Methods. Such notice may be given by **General Notice**. Any attendance by a **Member** at a meeting shall constitute a waiver of any defect in the notice.

6.1(b)(3) Content. The notice shall contain the time and place of the meeting and shall include the agenda for the meeting.

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

6.1(d) Notice of Disciplinary Hearings. Prior to taking disciplinary action against a **Member**, the **Association** must provide the **Owner** with due process as set forth in [Civil Code §5855](#) and below.

6.1(d)(1) Timing. The **Association** shall notify a **Member** at least ten (10) days prior to any meeting at which the **Board** is considering or imposing discipline upon an **Owner** (including the levying of fines).

6.1(d)(2) Delivery Methods. Notice of a hearing on a **Governing Document** violation must be in writing and delivered to the **Member** by personal delivery or **Individual Notice**.

6.1(d)(3) Content. Notices from the **Association** shall include at a minimum, the date and time for the meeting at which the **Board** will consider disciplinary action, a brief description of the action or inaction constituting the alleged violation, and a statement that the **Member** has a right to attend the meeting, may address the **Board**, and may request that the meeting be conducted in Executive Session.

6.1(e) Notice of Hearing Results. If the **Board** imposes discipline on a **Member**, the **Association** will provide notice of the outcome of the disciplinary action to the **Member** within fifteen (15) days following the action. Such written notice may be delivered to the **Member** by personal delivery or **Individual Notice**.

Section 6.2. Informational Notices to Members.

6.2(a) Assessment-Related Notices.

6.2(a)(1) Members shall be notified of a Special **Assessment** or an increase in Regular **Assessments** not less than 30 nor more than 60 days prior to the increased **Assessment** becoming due. Such written notice may be delivered to **Members** by **Individual Notice**.

6.2(a)(2) Notices to **Members** who are delinquent in payment of their **Assessments** (as required under Civil Code [§5660](#), [§5675](#)) shall be delivered by both first class and certified mail. Additionally, certain notices are required by statute to be personally served (see Civil Code [§2924](#), [§5705\(d\)](#)).

6.2(b) Voting and Election Notices.

6.2(b)(1) Balloting packages (including instructions, secret ballots and two return envelopes) for election or recall of Directors, amendments to **Governing Documents**, **Assessment** decisions or grant of exclusive use of **Common Area** shall be delivered to **Members**, either by personal delivery or first class mail, at least 30 days prior to the meeting at which the votes will be tallied.

6.2(b)(2) Within 15 days of the meeting at which the votes were tallied, the tabulated results of the election shall be delivered to **Members** by **General Notice**.

6.2(b)(3) Voting materials on subject matters other than those listed in **Section 6.2(b)(1)** may be distributed to **Members** by personal delivery or first class mail and may indicate a reasonable time to be returned for tallying, as determined by the **Board**.

6.2(c) Notices re Rules and/or Policies. The following notices may be distributed to **Members** by **General Notice**.

6.2(c)(1) Written notice of a proposed rule change shall be provided to **Members** at least 30 days before making the rule change. The notice shall include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change.

6.2(c)(2) Notice of adoption of a rule change shall be delivered to the **Members** within 15 days following formal adoption.

6.2(c)(3) The **Association** shall annually deliver the policies or procedures related to architectural changes requested by **Members**.

Section 6.3. Delivery of Documents.

6.3(a) Annual Budget Report and Annual Policy Statement.

6.3(a)(1) Timing. The Annual Budget Report and Annual Policy Statement shall be distributed to **Members** not less than 30 nor more than 90 days prior to the start of the fiscal year.

6.3(a)(2) Delivery Methods. Such notice may be given by **Individual Notice**.

6.3(a)(3) Content. Both the Annual Budget Report and Annual Policy Statement include a number of required summaries and disclosures (see Civil Code [§5300](#) and [§5310](#), respectively).

6.3(b) Documents and Information Related to Sale. The **Association** shall provide a requesting **Member** with copy of the **Governing Documents** and such other documents and information as are required by California Civil Code [§4525](#) within 10 days of receipt of the written request. Such documents may be delivered by **Individual Notice**.

6.3(c) Documents in Response to Member Inspection Request. If a **Member** submits a written request to the **Association** for copies of specifically identified records pursuant to Civil Code [§5200](#), which request must state the reason, the **Association** may satisfy the requirement to make the records available for inspection and copying by mailing copies of the records to the **Member** by first-class mail. The **Member** is responsible for the costs of copying and delivery. Different documents have different response times, see specifically Civil Code [§5210](#).

ARTICLE VII **DUTY AND AUTHORITY OF THE BOARD**

Section 7.1. Generally. The **Board** shall have the authority or duty to:

7.1(a) Exercise all powers vested in the **Board** under the **Governing Documents** and under the laws of the State of California.

7.1(b) Appoint, remove and/or reassign the manager of the **Association**, if any, and **Association** employees; prescribe any powers and duties for such persons that are consistent with law and the **Governing Documents**; and fix their compensation.

7.1(c) Directly or in conjunction with the management company, appoint agents, independent contractors and other employees, including attorneys and accountants, as it sees

fit to assist in the operation of the **Association**, and to fix their duties and to establish their compensation.

7.1(d) Enforce applicable provisions of the **Governing Documents** relating to the control, management, and use of the **Lots** within Hartzell and the **Common Areas**.

7.1(e) Contract for and pay premiums for fire, casualty, liability, director and officer error and omissions, earthquake (if any) and other insurance and bonds (including indemnity bonds) that may be required or advisable from time to time by the **Association**.

7.1(f) Contract and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the **Common Areas** and other portions or components of Hartzell which the **Association** is obligated to maintain, repair or replace.

7.1(g) Pay all taxes, special assessments and other assessments, and charges that are or would become a lien on any portion of the **Common Areas**.

7.1(h) Contract and pay for construction or reconstruction of any portion or portions of Hartzell that have been damaged or destroyed and that are to be rebuilt by the **Association**.

7.1(i) Delegate its duties and powers to the Officers of the **Association** or to one or more Directors or to committees established by the **Board**, subject to the limitations expressed in [Section 7.7](#).

7.1(j) Levy and collect **Assessments** from the **Members**.

7.1(k) Perform all acts required of the **Board** under the **Declaration**.

7.1(l) Prepare budgets and maintain a full set of books and records showing the financial condition of the **Association** in a manner consistent with the **Davis-Stirling Act** and generally accepted accounting principles, and prepare an annual financial report for the **Members**.
(See also attached [Exhibit A](#).)

7.1(m) Appoint one or three Inspectors of Election pursuant to the **Association's Bylaws** and Voting and Election Procedures Policy;

7.1(n) Appoint such committees as it deems appropriate from time to time in connection with the business of the **Association**.

7.1(o) Fill vacancies on the **Board** or in any committee, except a vacancy created by the removal of a Director by the **Members**.

7.1(p) Open bank accounts on behalf of the **Association** and designate the signatories to such bank accounts.

7.1(q) Bring and defend actions in the best interests of the **Members** and/or the **Association**.

7.1(r) Negotiate, settle and/or otherwise dispose of disputes and litigation.

7.1(s) Delegate limited or shared control of an operating account to the management company so long as the **Board** is satisfied that sufficient safeguards are in place.

7.1(t) Borrow money, including granting a security interest in the **Association's** personal property, including Reserve and Operating funds and **Assessment** stream, (without encumbering any **Association Common Area**).

7.1(u) Adopt, revise and update rules and policies regarding voting, **Member** access to records, **Assessment** collection and any other matter as may be required by law or otherwise related to the operation of the **Association**.

7.1(v) Recommend and/or facilitate the use of Alternative Dispute Resolution between individual **Owners** when there is a dispute arising out of or related to the **Governing Documents** or neighbor relations generally. The **Board** may also utilize or facilitate the use of Small Claims Court where appropriate.

7.1(w) Enter **Lots** as necessary, subject to the notice requirements of the **Declaration**, in connection with construction, maintenance, or emergency repairs for the benefit of the **Common Areas** or the **Members** in common.

7.1(x) In the event of a natural disaster, the **Association** may, in conjunction with its **Assessment** powers as provided in the **Declaration** at **Article IV**, seek governmental assistance (such as from the Federal Emergency Management Agency).

7.1(y) After consultation with the **Association's** certified public accountant and/or counsel, at its discretion, establish and maintain a seismic reserve fund. Such funds may be used for structural upgrades in conjunction with or in lieu of earthquake insurance.

7.1(z) Act as spokesperson representing **Members** on matters related to local government on quality of life matters for residents.

Section 7.2. Board Discretion. The **Association** acts by and through the **Board of Directors** unless the decisions on a particular subject have been assigned to the **Members** by the **Governing Documents** or by statute. The **Board** may conduct "straw votes" to determine **Member** preferences or support. In other instances, the **Board** may structure a decision as a funding question to be voted on by **Members**.

Section 7.3. Association Finances. In addition to the terms of the **Bylaws** and the **Declaration**, the **Association** is governed by the **Davis-Stirling Act** including provisions related to financial documents, operating and reserve accounts and regular and special **Assessments**. Because the legislature periodically amends and may restate the **Davis-Stirling Act**, the Directors may annually consult with the professionals servicing the **Association** as to any changes in financial procedures and reporting that may be required by new or revised sections and shall conform the **Association's** practices accordingly.

Section 7.4. Limitations on Power of Board. In addition to approval of the **Board**, certain actions must also have the affirmative vote of a majority of a quorum of **Members** (participation of at least 24 **Members** and approval by at least a majority of those participating). These include:

7.4(a) Enter into a contract with a third party for the furnishing of goods or services to the **Common Area** or the **Association** for a term longer than one (1) year. This restriction shall not apply to:

7.4(a)(1) public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate;

7.4(a)(2) casualty or liability insurance policies not to exceed three years' duration, provided that the policies provide for short-rate cancellation by the insured;

7.4(a)(3) agreements for communications services and equipment (such as television, internet, cable or satellite dish, including basic access agreements) not to exceed five (5) years in duration;

7.4(a)(4) agreements for purchase or lease or service for security, fire safety, solar, vehicle charging stations, similar or related equipment, and/or office equipment, of not more than three (3) years in duration;

7.4(a)(5) management contracts which may be terminated without cause on sixty (60) days or less notice; or

7.4(a)(6) reconstruction project contracts that may span more than one construction season; or

7.4(a)(7) agreements that may be terminated without cause upon thirty (30) days' notice.

7.4(b) Pledge, deed in trust or otherwise encumber any or all of the **Association's** real property as security for money borrowed or debts incurred.

Section 7.5 Inspection of Books and Records.

7.5(a) Member Access to Records. Members may review many of the **Association's** records by submitting a written request which must include the reason for reviewing the records. The **Board** may adopt and require the use of a written request form. The **Member** is responsible for all costs incurred related to the request and production; a deposit may be required in advance.

7.5(b) Adoption of Reasonable Inspection Rules. The **Board** may establish reasonable rules which may include provisions regarding notice of inspection, hours and days of the week when inspection may be made, location of the documents to be inspected, and payment of the costs incurred including reproducing and/or redacting copies of documents requested by the **Member**.

7.5(c) Documents Available for Inspection.

7.5(c)(1) Accounting Books and Records. The following **Association** records shall be available for inspection and copying by any **Member**, or his or her duly appointed representative, during reasonable business hours: any financial document required to be provided to a **Member** in Civil Code [§5300](#); any financial document or statement required to be provided in Civil Code [§4525](#); interim unaudited financial statements, periodic or as compiled containing any of the following: balance sheet, income and expense statement, budget comparison, general ledger; executed contracts not otherwise privileged under law; written **Board** approval of vendor or contractor proposals or invoices; state and federal tax returns; reserve account balances and records of payments made from reserve accounts; agendas and minutes of meetings of the **Members**, the **Board** and any committees appointed by the **Board**, excluding, however, agendas, minutes, and other information from executive sessions of the **Board** as described in Civil Code [§5200](#); check registers; enhanced **Association** records (meaning invoices, receipts and canceled checks for payments made by the **Association**, purchase orders approved by the **Association**, statements for services rendered, and reimbursement requests submitted to the **Association**, provided that the person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request).

7.5(c)(2) Membership Lists. Membership lists, including name, property address, and mailing address (for first class mail) shall also be made available for inspection by any **Member**, or his or her duly appointed representative. Note that the **Members** may request that their information not be shared. The **Association** may require statement of a proper purpose before providing any information.

7.5(d) Timing of Association Response. Access to or copies of **Corporation** records shall be provided in accordance with the time frames designated by the **Davis-Stirling Act** (see Civil Code [§5210](#)).

7.5(e) Director Inspection Rights. Every Director shall have a right at any reasonable time to inspect all books, records, documents, and minutes 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. This right does not include all records of disciplinary or adversarial actions involving the requesting Director. The **Board** may adopt reasonable restrictions on review of ballots or other records in order to preserve **Member** expectations of confidentiality or if a Director maintains a legal action adverse to the **Association**.

Section 7.6. Rules. The **Board** shall have the power, pursuant to the provisions in the **Davis-Stirling Act**, to adopt and establish rules and policies consistent with the **Declaration**, governing the use of the **Property** and the conduct of the **Members** and their guests, tenants or others on the premises. In the event of an omission, ambiguity or conflict in the provisions of the **Articles, Bylaws** and/or **CC&Rs**, the **Board** may adopt a policy to address any such irregularity.

Section 7.7. Committees. The **Board** may appoint committees as deemed appropriate in carrying out its purposes. All committees with decision-making authority must include at least one Director or Officer and shall keep written minutes of their proceedings, report their proceedings to the **Board** and file their minutes with the Secretary. No committee shall have the power to:

7.7(a) take any final action on any matter that requires the approval of the **Board** and/or **Members**,

7.7(b) fill vacancies on the **Board** or any committee,

7.7(c) amend or repeal **Bylaws** or adopt new **Bylaws**,

7.7(d) amend or repeal any resolution of the **Board**,

7.7(e) appoint committees of the **Board** or **Members**, or

7.7(f) make **Board** decisions (unless the committee is composed wholly of Directors).

ARTICLE VIII

DEFENSE AND INDEMNIFICATION

Section 8.1. Member Responsibility. Each **Member** shall be liable to the **Association** for any damage to the **Common Areas** or areas which the **Association** must maintain, repair or replace caused (directly or indirectly) by the **Member** or his or her family, guests, invitees or lessees (including but not limited to negligence or willful misconduct or otherwise), and each **Member** shall protect, defend, hold harmless and indemnify the **Association** and Directors for any third party claim arising out of such conduct and damage.

Section 8.2. Indemnification by Association of Directors and Officers. The **Association** shall, to the fullest extent permitted by law, protect, defend and indemnify its past or present Directors, Officers and Committee members from potential liability for their activity while acting in good faith and engaged in **Association** business. Such protection may include that provided for in (a) the **Association's** insurance, including the liability insurance in the case of damage to person or property, and/or (b) the Corporations Code, specifically [§7237](#). In the event that any claim of indemnification is made to the **Association** by such individual, the **Association** shall, in a timely way, tender the claim to its broker and/or insurance carriers. To the extent that the individual seeking indemnification has exposure to any uninsured loss, the **Association** shall also submit the matter to its counsel for a legal opinion as to **Association** obligations.

Section 8.3. Advancement of Expenses. To the fullest extent permitted by law, the **Association** shall, consistent with Corporations Code [§7237\(f\)](#), advance all costs of defense of an Officer, Director or Committee Member, if such costs of defense are not being provided by insurance.

Section 8.4. Insurance. The **Association** shall have the power to purchase and maintain that insurance commonly known as Directors and Officers Liability Insurance. It should be noted that this is separate and distinct from general liability insurance which covers damage to persons and property.

Section 8.5. Limitations on Personal Liability of Individual Directors/Officers.

8.5(a) No action shall be brought against an individual Director or Officer unless expressly permitted by the provisions of Civil Code [§5800](#).

8.5(b) No suit or action against a Director or Officer or other volunteer of the **Association** personally shall be sustainable in any court unless commenced within the earliest of twelve (12) months of the date claimant knew or should have known of alleged misconduct and/or the inception of damage or injury.

ARTICLE IX
TAX-EXEMPT STATUS

Section 9.1. Tax-Exempt Status. The **Board** shall take all steps reasonably possible to ensure the continued tax-exempt status of the **Association**.

Section 9.2. Filing. The **Board** shall cause to be timely filed an annual designation for tax-exempt status as may be required under federal or state law. It shall cause the **Association** to comply with the statutes, rules and regulations adopted by federal and state agencies pertaining to such exemptions.

ARTICLE X

MISCELLANEOUS

Section 10.1. Amendment of Bylaws. These **Bylaws** may be revised (including replacement) by approval of a majority of the Board and by the affirmative vote of a majority of a quorum of **Members**. A quorum is at least fifty percent (50%) of the **Voting Power**. (Based on 48 **Lots**, this requires the participation of at least 24 **Lots**, and the approval by a majority of those participating in the vote.) The Secretary of the **Association** shall certify adoption of any duly approved amendment to the **Bylaws** and a copy of said certificate and the amendment shall be included in the **Association's** corporate records and sent to the **Members**.

Section 10.2. Document Hierarchy. To the extent of any conflict between the **Governing Documents** and the law, the law shall prevail. To the extent of any conflict between the **Articles** and the **Declaration**, the **Declaration** shall prevail. To the extent of any conflict between the **Bylaws** and the **Articles** or **Declaration**, the **Articles** or **Declaration** shall prevail. To the extent of any conflict between the operating rules and the **Bylaws**, **Articles** or **Declaration**, the **Bylaws**, **Articles** or **Declaration** shall prevail.

Section 10.3. Fiscal Year. The fiscal year of the **Association** shall be January 1 through December 31, unless otherwise determined by the **Board**.

Section 10.4. Members or Other Occupants May Not Direct Association Employees, Agents or Vendors. No **Person** shall confront, criticize, intimidate, or direct any employee, agent or vendor of the **Association**. Communications on such subjects shall be in writing to the **Board** or manager. If there is a pattern of inappropriate communications to the **Board**, the **Board** may limit the type and timing of communications and/or take other appropriate measures.

Section 10.5. Davis-Stirling Act and CC&R Updates.

10.5(a) Correction of Numbering. If the **Governing Documents** include a reference to a provision of the **Davis-Stirling Act** that is added or changed, the **Board** may amend the **Governing Documents**, solely to correct the cross-reference, by adopting a **Board** resolution that shows the correction. **Member** approval is not required in order to adopt a resolution pursuant to this authority.

10.5(b) Updating of Preempted Content or Other Statutory Reference in Bylaws. In addition to the authority in **Section 10.5(a)**, the **Board** shall have authority to update these **Bylaws** if or when changes in any statutory law or **CC&R** revisions preempt the content set forth in these **Bylaws**. Unless provided for in **Section 10.5(a)**, before the **Board** can approve such an update, the **Board** must have confirmation from counsel of the nature of the statutory preemption and must provide **Members** with at least thirty (30) day notice of the proposed change. The **Board** may then approve revision of these **Bylaws** to conform to change(s) in the law.

Section 10.6. Defined Terms. In addition to those terms defined in the **CC&Rs**, the following terms used in the **Governing Documents** shall have the following meanings:

10.6(a) "General Notice" means delivery of documents and/or information to a **Member** by **Individual Notice**, inclusion in a billing statement or newsletter, or posting the printed document in a prominent place at the **Project** designated for such notices.

10.6(b) "Individual Notice" means transmittal of notices, documents, or other communications to a **Member** via first class mail, or via email, facsimile, or other electronic means, provided that the **Member** has agreed in writing to that method of delivery. The **Member** shall be responsible for maintaining his or her current addresses - mail and email (if applicable) - with the **Association**. The **Association** may, but shall not be required to, provide an undelivered communication by some other means. If a document is delivered by mail, delivery is deemed to be complete on deposit into the United States mail. If a document is delivered by electronic means, delivery is complete at the time of transmission. If a document or information is required to be "in writing", then the information provided must be in an electronic record capable of retention by the receiving **Member** (i.e., able to be printed and/or stored).

SECRETARY'S CERTIFICATION

As Secretary of the corporation known as the Hartzell Homeowners Association, Inc., I hereby certify that the foregoing revised **Bylaws** consisting of 23 pages (excluding the Table of Contents), were duly adopted by the **Members** of said **Association** on the 9th day of November 2016 and that they are now the official **Bylaws**.



By: Secretary of Hartzell Homeowners Association, Inc.

2016 Hartzell Bylaws v2.wpd
dlr: 2/5/16

Glenn H. Youngling, PLC
1108 Irwin Street, San Rafael, California 94901
(415) 454-1090

EXHIBIT A TO BYLAWS OF HARTZELL HOMEOWNERS ASSOCIATION, INC.

(Note: This Exhibit may be periodically superseded
by later exhibits reflecting changes in the law)

This exhibit to the Bylaws of Hartzell Homeowners Association, Inc., is hereby incorporated by cross-reference into the Bylaws (as authorized by **Section 7.1(l)**).

The following language is as provided for in the Davis-Stirling Common Interest Development Act (as of 1/1/2016).

4177 "Reserve accounts" means both of the following:

(a) Moneys that the board has identified for use to defray the future repair or replacement of, or additions to, those major components that the association is obligated to maintain.

(b) The funds received, and not yet expended or disposed of, from either a compensatory damage award or settlement to an association from any person for injuries to property, real or personal, arising from any construction or design defects. These funds shall be separately itemized from funds described in subdivision (a).

4178 "Reserve account requirements" means the estimated funds that the board has determined are required to be available at a specified point in time to repair, replace, or restore those major components that the association is obligated to maintain.

5300 Annual Budget Report.

(a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

(b) Unless the governing documents impose more stringent standards, the annual budget report shall include all of the following information:

(1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis

(2) A summary of the association's reserves, prepared pursuant to Section 5565 (*Summary of Association Reserves*).

(3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of Section 5550 (*Visual Inspection of Major Components & Reserve Study*). 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.

(4) 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 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to Section 5560 (*Reserve Funding Plan*), 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.

(6) 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.

(7) 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 (*Assessment & Reserve Funding Disclosure Summary*), and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(8) 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.

(9) 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 (*Annual Budget Report*) 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."

(10) When the common interest development is a condominium project, a statement describing the status of the common interest development as a Federal Housing Administration (FHA)-approved condominium project pursuant to FHA guidelines, including whether the common interest development is an FHA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

"Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development is/is not [(circle one)] a condominium project. The association of this common interest development is/is not (circle one) certified by the Federal Housing Administration."

(11) When the common interest development is a condominium project, a statement describing the status of the common interest development as a federal Department of Veterans Affairs (VA)-approved condominium project pursuant to VA guidelines, including whether the common interest development is a VA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

"Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development is/is not [(circle one)] a condominium project. The association of this common interest development is/is not (circle one) certified by the federal Department of Veterans Affairs."

(c) The annual budget report shall be made available to the members pursuant to Section 5320 (*Notice of Availability*).

(d) The summary of the association's reserves disclosed pursuant to paragraph (2) of subdivision (b) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.

(e) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Section 5570 (*Assessment & Reserve Funding Disclosure Summary*), shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to this article.

(f) This section shall become operative on July 1, 2016.

5305 Review of Financial Statement. Unless the governing documents impose more stringent standards, a review of the financial statement of the association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the association exceeds seventy-five thousand dollars (\$75,000). A copy of the review of the financial statement shall be distributed to the members within 120 days after the close of each fiscal year, by individual delivery pursuant to Section 4040 (*Individual Notice*).

5310 Annual Policy Statement.

(a) Within 30 to 90 days before the end of its fiscal year, the board shall distribute an annual policy statement that provides the members with information about association policies. The annual policy statement shall include all of the following information:

(1) The name and address of the person designated to receive official communications to the association, pursuant to Section 4035 (*Delivered to an Association*).

(2) A statement explaining that a member may submit a request to have notices sent to up to two different specified addresses, pursuant to subdivision (b) of Section 4040 (*Individual Notice*).

(3) The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Section 4045 (*General Notice*).

(4) Notice of a member's option to receive general notices by individual delivery, pursuant to subdivision (b) of Section 4045 (*General Notice*).

(5) Notice of a member's right to receive copies of meeting minutes, pursuant to subdivision (b) of Section 4950 (*Minutes*).

(6) The statement of assessment collection policies required by Section 5730 (*Collection Policy Statement*).

(7) A statement describing the association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments.

(8) A statement describing the association's discipline policy, if any, including any schedule of penalties for violations of the governing documents pursuant to Section 5850 (*Schedule of Monetary Penalties*).

(9) A summary of dispute resolution procedures, pursuant to Sections 5920 (*Notice in Policy Statement*) and 5965 (*Notice in Annual Policy Statement*).

(10) A summary of any requirements for association approval of a physical change to property, pursuant to Section 4765 (*Alteration Review Process*).

(11) The mailing address for overnight payment of assessments, pursuant to Section 5655 (*Payments*) .

(12) Any other information that is required by law or the governing documents or that the board determines to be appropriate for inclusion.

(b) The annual policy statement shall be made available to the members pursuant to Section 5320 (*Notice of Availability*).

5320 Notice of Availability.

(a) When a report is prepared pursuant to Section 5300 (*Annual Budget Report*) or 5310 (*Annual Policy Statement*), the association shall deliver one of the following documents to all members, by individual delivery pursuant to Section 4040 (*Individual Notice*):

(1) The full report.

(2) A summary of the report. The summary shall include a general description of the content of the report. Instructions on how to request a complete copy of the report at no cost to the member shall be printed in at least 10-point boldface type on the first page of the summary.

(b) Notwithstanding subdivision (a), if a member has requested to receive all reports in full, the association shall deliver the full report to that member, rather than a summary of the report.

CHAPTER 7: FINANCES

Article 1: Accounting

5500 Board Review. Unless the governing documents impose more stringent standards, the board shall do all of the following:

(a) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.

(b) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.

(c) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.

(d) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.

(e) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis.

Article 2: Use of Reserve Funds

5510 Use of Reserve Funds.

(a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.

(b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

5515 Temporary Transfer of Reserve Funds.

(a) Notwithstanding Section 5510 (*Use of Reserve Funds*), the board may authorize the temporary transfer of moneys from a reserve fund to the association's general operating fund to meet short-term cashflow requirements or other expenses, if the board has provided notice of the intent to consider the transfer in a board meeting notice provided pursuant to Section 4920 (*Notice of Board Meetings*).

(b) The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered.

(c) If the board authorizes the transfer, the board shall issue a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the reserve fund.

(d) The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration.

(e) The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is subject to the limitation imposed by Section 5605 (*Assessment Approval Requirements*). The board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

5520 Use of Reserve Funds for Litigation.

(a) When the decision is made to use reserve funds or to temporarily transfer moneys from the reserve fund to pay for litigation pursuant to subdivision (b) of Section 5510 (*Use of Reserve Funds*), the association shall provide general notice pursuant to Section 4045 (*General Notice*) of that decision, and of the availability of an accounting of those expenses.

(b) Unless the governing documents impose more stringent standards, the association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the association at the association's office.

Article 3: Reserve Planning

5550 Visual Inspection of Major Components and Reserve Study.

(a) At least once every three years, the board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.

(b) The study required by this section shall at a minimum include:

(1) Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired.

5560 Reserve Funding Plan.

(a) The reserve funding plan required by Section 5550 (*Visual Inspection of Major Components & Reserve Study*) 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.

(b) The plan shall be adopted by the board at an open meeting before the membership of the association as described in Article 2 (commencing with Section 4900) (*Board Meeting*) of Chapter 6.

(c) If the board 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 that is consistent with the procedure described in Section 5605 (*Assessment Approval Requirements*) .

5565 Summary of Association Reserves. The summary of the association's reserves required by paragraph (2) of subdivision (b) of Section 5300 (*Annual Budget Report*) shall be based on the most recent review or study conducted pursuant to Section 5550 (*Visual Inspection of Major Components & Reserve Study*), shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type, and shall include all of the following:

(a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.

(b) As of the end of the fiscal year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(2) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.

(3) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to paragraph (2). Instead of complying with the requirements set forth in this paragraph, an association that is obligated to issue a review of its financial statement pursuant to Section 5305 (*Review of Financial Statement*) may include in the review a statement containing all of the information required by this paragraph.

(c) The percentage that the amount determined for purposes of paragraph (2) of subdivision (b) equals the amount determined for purposes of paragraph (1) of subdivision (b).

(d) 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.

5570 Assessment and Reserve Funding Disclosure Summary.

(a) The disclosures required by this article with regard to an association or a property shall be summarized on the following form:

Assessment and Reserve Funding Disclosure Summary		
<p>(1) The current regular assessment per ownership interest is \$_____ per _____. <i>Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page _____ of the attached summary.</i></p> <p>(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:</p>		
Date Assessment will be Due	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Purpose of the assessment:

	Total:	
<p><i>Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ____ of the attached report.</i></p> <p>(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years Yes _____ No _____</p> <p>(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members</p>		
Approximate date assessment will be due:	Amount per ownership interest per month or year:	
	Total:	
<p>(5) All major components are included in the reserve study and are included in its calculations.</p> <p>(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$____, based in whole or in part on the last reserve study or update prepared by ____ as of ____ (month), ____ (year). The projected reserve fund cash balance at the end of the current fiscal year is \$____, resulting in reserves being ____ percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$____. (See attached explanation)</p> <p>(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$____, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$____, leaving the reserve at ____ percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$____, leaving the reserve at ____ percent funding. <i>Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was ____ percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was ____ percent per year.</i></p>		

(b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 5550 (*Visual Inspection of Major Components and Reserve Study*). Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.








(3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300 (*Annual Budget Report*). The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.


(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service

divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

5810 Notice of Change of Insurance Coverage. The association shall, as soon as reasonably practicable, provide individual notice pursuant to Section 4040 (*Individual Notice*) to all members if any of the policies described in the annual budget report pursuant to Section 5300 (*Annual Budget Report*) have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the association receives any notice of nonrenewal of a policy described in the annual budget report pursuant to Section 5300 (*Annual Budget Report*), the association shall immediately notify its members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Director and Manager Reference Sheet For Member Voting Requirements (Not Formally Part of the Bylaws)

Number of Members	48	
ANNUALLY:		
Election of Directors 	Quorum = ballots received Threshold Quorum not applicable	Bylaws, Section 3.3(b)(1)
IRS Resolution Approval	Majority of Quorum Quorum = ballots received	Bylaws, Section 3.3(b)(3)
Minutes of Member Meeting	Majority of Quorum Quorum = ballots received (or by Board or Committee)	Bylaws, Section 3.4(b)
AMENDMENTS:		
Amendment of CC&Rs 	60% of Members (29 votes) Threshold Quorum not applicable	CC&Rs, Section 13.4
Amendment of Bylaws 	Majority of a General Quorum Quorum = at least 50%	Bylaws, Section 10.1
Amendment of Articles 	Majority of a General Quorum Quorum = at least 50%	Articles, Article VII & Corp. Code §7812(a)
OTHER:		
Assessment Approval 	Majority of a Quorum Quorum = more than 50%	CC&Rs, Section 4.2(b) & Civil Code §5605
Dedication of Common Area	Majority of a General Quorum Quorum = at least 50%	CC&Rs, Section 2.1(a)
Grant of Exclusive Use of Common Area 	20% of Members (& not less than maj. of votes cast)	CC&Rs, Section 2.4
Limitations on Powers of the Board	Majority of a General Quorum Quorum = at least 50%	Bylaws, Section 7.4
Member Reversal of Rule Change	Majority of voting power (25 votes) Threshold Quorum not applicable	Bylaws, Section 3.3(b)(4)
Recall of Board of Directors 	Majority of a General Quorum Quorum = at least 50%	Bylaws, Section 4.2(h)(3)
*General Quorum Requirement (if not otherwise specified)	Requires participation of at least 50% of the Voting Power (24 votes)	Bylaws, Section 3.3(b)(5)

 = Requires Double Secret Envelope Voting.

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