

**THE VILLAGE AT SANTA BARBARA
OWNERS ASSOCIATION, INC.**

AMENDED BYLAWS

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Note: There are many references to California Civil and other Codes in these documents and new or modified laws are added every year. The documents cannot be reasonably modified every time the law changes. The Civil Codes referenced are generally found in “The Davis Stirling Common Interest Development Act” (Sections 1350-1378) pertaining to California homeowner associations. Many of the statutes (laws) are lengthy, complicated, detailed and subject to change. Therefore, they are not reiterated in their full capacity but instead, reference is made to them. If and as the laws change, the governing documents of this association will be subject to the successor laws, even if they appear in a different area of the Civil Code. If the code numbers change, the subject matter will still apply. Note that all laws referenced can be reviewed and copied at no charge to the public at the California state website: <http://www.leginfo.ca.gov/calaw.html>.

AMENDED BYLAWS

THE VILLAGE AT SANTA BARBARA OWNERS ASSOCIATION, INC.

ARTICLE I NAME AND LOCATION

The name of the Association is **THE VILLAGE AT SANTA BARBARA OWNERS ASSOCIATION, INC.** It is a Nonprofit Mutual Benefit Corporation, hereinafter referred to as the "Association." The principal office of the Association is located in Santa Barbara County, California, or wherever the managing agent is located.

ARTICLE II DEFINITIONS

The definitions contained in the 2011 Restated Declaration are incorporated by reference herein. Any reference to "Restated Declaration" or "CC&Rs" refers to the 2011 Restated Declaration of Covenants, Conditions, and Restrictions of THE VILLAGE AT SANTA BARBARA OWNERS ASSOCIATION, INC. approved concurrently with these Amended Bylaws.

ARTICLE III MEMBERSHIP VOTING AND MEETINGS OF MEMBERS

A. MEMBERSHIP AND VOTING

Section 3.A.1. Membership. Every person or entity who is a record Owner of a Residence and Sublessee of a Lot shall be a Member of the Association. Proof of Membership is satisfied by evidence of an official document of transfer such as a recorded grant deed or contract of sale and assignment of sublease, or other evidence of ownership provided to the Association. Documentation may be required prior to exercise of Membership rights. If a company or corporation is the Owner, the company or corporation shall designate that person authorized to vote and exercise the membership rights. If the Owner is a trust, the person whose trust it is shall exercise the membership rights, unless that person designates the trustee to exercise the rights. Membership may not be separated from ownership of any Residence/Lot. Membership for any particular Owner continues until his or her ownership terminates.

Section 3.A.2. Voting of Members. Members are Owners of the Residences and Sublessees of the Lots. Members shall be entitled to one (1) vote per Residence and Lot owned in any elections requiring Owner participation or action by Owners. Cumulative voting shall not be allowed. Each Member shall be entitled to vote for one (1) candidate for each vacant director position in Board elections.

Section 3.A.3 Voting of Members When More Than One Owner. When more than one person holds title to a Residence/Lot, all such persons collectively shall be the Member for

that Residence/Lot. The vote shall be exercised as the Owners among themselves decide, but in no event shall more than one (1) vote be cast with respect to any Residence and Lot. The Association is entitled to presume that any ballot tendered by one or more Owners of a Residence/Lot was the result of agreement by all other Owners. If conflicting ballots are cast by Owners of a Residence/Lot, none will be counted. When Owner is a business or other entity, only the individual designated in writing by the business entity shall be entitled to exercise the rights of membership, including the right to vote. Absent written notice of the authorized representative having been provided to the Association, the Board shall have the right to assume that the person tendering a ballot is the authorized representative.

B. MEETINGS OF MEMBERS AND NOTICE

Section 3.B.1. Annual Membership Meetings. Annual meetings of the Members shall be held in January each year on the date and at the time and place indicated in the Notice described in Section 3.B.3. If it is unduly difficult to hold a meeting in that month, the Board may schedule it to be held within the month before or after, so long as the requisite notice under Section 3.B.3 is satisfied. Notice of annual elections may be satisfied by mail, as provided in California law, Civil Code Section 1363.03. Ballots may be counted at the Annual meeting or a Board meeting within 60 days of the Annual meeting.

Section 3.B.2. Special Membership Meetings. Special meetings of the Members may be called at any time by the President or by a majority of the Board of Directors, or upon presentation of a valid written petition signed by five percent (5%) of the Members, if the subject matter is for a valid lawful purpose. However, no action may be taken at a special meeting unless it falls within the purpose stated on the meeting notice and any voting proposal subject to procedures under Civil Code Section 1363.03 must be conducted pursuant to that law and any Election Rules adopted pursuant to it. See Section 3.B.8.

Section 3.B.3. Notice of Membership Meetings. Written Notice of each meeting of the Members shall be given by first class mail to the Owner's last known address, or by personal delivery; and/or, if consent is given by an Owner, by facsimile or email. The Notice shall be provided at least thirty (30) days before the meeting. The Notice must specify the place, date, and hour of such meeting, and the general nature of the business to be transacted and, in the case of a special meeting, the purpose of the meeting.

The Board may schedule an informational meeting on any subject, with these same notice requirements. There is no obligation on the part of the Board to entertain motions or a vote on any subject at an informational meeting.

In case of a special meeting called pursuant to a written request of Members as provided in Section 3.B.2, notice of such special meeting shall be given in the same manner specified above, except that notice must go out to Members within twenty (20) days after receipt of such written request by the Board, and the date of such special meeting shall be set by the Board to occur no sooner than thirty-five (35) days nor later than ninety (90) days from the date of the Association's receipt of such request.

Section 3.B.4. Quorum. Except as stated in the next paragraph, and in the Restated Declaration and/or California law, fifty-one percent (51%) of the votes of the membership shall constitute a quorum for any action. The only matters that may be addressed at the meeting are those matters that are described in the notice of the meeting.

If there is not a quorum for any membership meeting, the meeting may be adjourned by a majority of the Board to a later time. If the meeting is rescheduled within thirty (30) days, no further notice other than announcement at the meeting is required. If the meeting is rescheduled for more than thirty (30) days from the meeting, then notice must be provided to members in writing as specified below. The quorum for the adjourned meeting is twenty-five percent (25%) of the Members.

For all Association elections, all of the ballot packages returned to the Inspector(s) of Election and any Owners present at the counting meeting that have not turned in a ballot package shall count toward the quorum requirement for the election.

Section 3.B.5. Proxies. Proxies are not allowed where an owner must vote by secret ballot in accordance with Section 1363.03 of the California Civil Code. In that case, if an owner needs to designate another to vote on his/her behalf, a special power of attorney should be used and that form must be provided to the Association or the Managing Agent.

However, proxies will be allowed to constitute a quorum for membership meetings and to vote on matters not subject to secret ballot under Section 2363.03 of the California Civil Code.

Any additional requirements may be stated in the Association Election Rules.

Section 3.B.6. Place of Meetings. Meetings of the Association shall be held at a specified meeting place near the development.

Section 3.B.7. Conduct of Meetings and Minutes of Meetings. All membership meetings shall be conducted in a manner consistent with a recognized method of parliamentary procedure. Minutes will be produced for all Association business, including Board meetings, annual meetings and committee meetings.

Section 3.B.8. Elections/Action by Written (Mail) Ballot. Elections that are subject to Civil Code Section 1363.03 shall be held using the double envelope secret balloting system set forth in that law. The covered subjects are Board elections, assessment elections, amendment of governing documents, and transfer of common area to owners for exclusive use.

Elections involving membership actions that are not specifically subject to Civil Code Section 1363.03 may be conducted either by using its procedures, or by vote taken at a membership meeting, or by using a combination of both; or may be conducted by mail, without a meeting, pursuant to Corporations Code Section 7513.

A written ballot submitted to the Association and/or Inspectors of Election by a Member may not be revoked.

Section 3.B.9. Election Rules. The Association (Board) shall adopt and publish rules in accordance with the procedures prescribed in Civil Code Section 1357.100, etc. that satisfy the requirements of Civil Code Section 1363.03 that generally include the following (see the statute for more specific information): ensure that any candidate or member advocating a point of view is provided access to association media, newsletters, or internet web sites during a campaign, for purposes that are reasonably related to that election; provide equal access to all candidates and members advocating a point of view, including those not endorsed by the Board; ensure access to the common area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election; specify the qualifications for candidates for the Board of Directors and any other elected position, and procedures for the nomination of candidates, consistent with the governing documents; specify the qualifications for voting, the voting power of each membership, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close, consistent with the governing documents; specify a method of selecting one or three independent third parties as Inspector, or Inspectors, of Election (utilizing appointment by the Board or election by the Members of the Association); allow the inspector, or inspectors, to appoint and oversee additional persons to verify signatures and to count and tabulate votes as the inspector or inspectors deem appropriate, provided that the persons are independent third parties.

Section 3.B.10. Elections by Electronic Voting. To the extent allowed by law, the Association may conduct member elections by a process of electronic voting that, to the extent possible, prohibits fraud and/or submission of ballots by unauthorized persons.

ARTICLE IV **BOARD OF DIRECTORS, SELECTION, TERM OF OFFICE**

Section 4.1. Number. The affairs of this Association shall be managed by a Board of five (5) Directors who must be Members of the Association. Member candidates/directors must be in good standing. "Good standing" means current with regard to payment of assessments and any outstanding charges and not in violation of any governing document provisions. No more than one Member from any Residence/Lot or family may serve on the Board simultaneously. This shall be stated in the election rules.

If a Residence is owned by a business or trust, the business or Owner of the trust (Trustor) shall designate the person authorized to exercise the Member's rights, and that person shall be entitled to exercise all Member rights including serving as a Director, if elected.

Section 4.2. Term of Directors. Each Director shall serve a one (1) year term and shall serve until his or her replacement is elected. Directors appointed to fill a vacated position

(vacated by death or resignation or vacated due to missing meetings or loss of standing to serve) shall serve out the term of the Director whose position was vacated.

Section 4.3. Nominations for Director Positions. Nominations for election to the Board of Directors may be made by a Nominating Committee, if one is appointed by the Board, and may also be solicited via mail or other invitation geared to reach qualified candidates. Any Member qualified to serve on the Board may submit his/her name as a candidate for a Board election. Equal access, to the extent any is provided by the Association (such as distribution of candidate's statements), will be allocated equally for all candidates. The same shall be offered to Members advocating differing points of view. Any person nominated who does not qualify to serve under these Amended Bylaws will not be entitled to have his/her name placed on the ballot for the election.

Section 4.4. Election and Voting for Directors. At each election of Directors, the qualified candidates receiving the largest number of votes shall be elected to the vacant seats. Elections shall be conducted in accordance with the provisions of 3.B.8 and the Association's Election Rules. In any case where the Board has given a fair opportunity to the Members of the Association to be nominated as candidates for the Board, and still there is an insufficient number of candidates for the Board to constitute a "contested election" (meaning more Board Member candidates than open positions), the current Board may consider foregoing the expense of the ballot process and declare the candidates who are nominated to be elected by acclamation without further balloting or counting of votes. This may occur at a board meeting or the elections meeting (meaning the meeting at which ballots would have otherwise been counted), whether a Membership meeting or Board meeting.

Section 4.5. Inspectors of Election. In advance of any election that is subject to Civil Code Section 1363.03, the Board shall appoint one (1) or (3) Inspectors of Election to perform the duties required by that law. The Election Rules and any procedures adopted by the Board shall include choosing Inspector(s) as provided by Civil Code Section 1363.03, to perform the duties specified therein and by the Association.

Section 4.6. Removal. The entire Board of Directors or an individual Director may be removed when his or her removal is approved by a majority of the Members of the Association in an election held under Civil Code Section 1363.03 (see 3.B.8 above). Any Director whose removal is sought shall receive a chance to address the Membership at a meeting called for the purpose of the recall election, unless the election is conducted by mail, in which case the Director(s) subject to the recall election shall be given the opportunity to address the Members of the Association in a general mailing by the Association.

Section 4.7. Resignation. Any Director may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 4.8. Vacancy. If any Director misses three (3) or more consecutive regular or special Board meetings or is found not to be in "good standing" at any time, the remaining

Board members may consider declaring the position of that Director vacant by majority vote of the Directors. The Board shall invite the Director to appear at the meeting at which the Board intends to decide whether to vacate the position. The Director is entitled to present to the Board a response to the Board's declaration of intent to consider vacating the position, either at the meeting or in writing. If the Board votes to vacate the position, a replacement Director may be appointed by the Board to serve the rest of the term of the Director whose position is vacated.

Section 4.9. Successors: Filling Vacant Positions The successor to any Director whose position is vacated under Section 4.7 or 4.8 above shall be selected by a majority of the remaining members of the Board of Directors and shall serve for the remaining term of the Director who resigned or whose position is vacated by action of the Board. If any Board member gives notice of resignation to take effect on a future date, that Board member may participate in choosing the successor to fill the vacant position.

In the event of removal of the entire Board under 4.6 above, any successor(s) shall be elected by the Members in a valid election under Civil Code Section 1363.03 and shall serve for the remaining term of their predecessors.

ARTICLE V **MEETINGS OF DIRECTORS**

Section 5.1. Regular Board and Committee Meetings. Regular meetings of the Board are to be held at such intervals as the Board considers necessary which is anticipated to be monthly, but definitely not less frequently than quarterly. The date, place, and hour shall be as fixed from time to time by the Board, and proper notice shall be given to Directors by mail; personal delivery; by telephone; or if consent is given by a Director, to that Director by facsimile or email; at least four (4) days prior to the Meeting. Should any Meeting fall upon a legal holiday or be rescheduled by necessity, then Notice of any change shall be given to each Director. If and to the extent any Committee meeting involves the congregation of a majority or more of Board Members, the meeting is subject to the same notice requirements as stated both for the notice to Directors and the Notice to Owners.

Section 5.2. Special Board Meetings. Special Meetings of the Board shall be held when called by the President of the Association, or by a majority of Directors, with at least four (4) days' notice to each Director (except that only 24 hours is required in an emergency as described in Section 5.3 below). Notice may be given as stated in Section 5.1. The notice shall specify the purpose of the Special Meeting.

Section 5.3. Telephone or Emergency Meetings. Should it be necessary, an Emergency Board Meeting may be called, to be held in person or by telephone conference or video conference. "Emergency" means relating to subject matter needing immediate attention by the Board such that it could not have been foreseen and cannot wait until the next scheduled Board Meeting. An attempt must be made to notify all Directors and at least a quorum of

Directors must be present at the meeting to take any action. Emergency Meetings are not subject to the Notice requirements for Association Members; but a good faith attempt to notify all Board Members must be made.

Section 5.4. Quorum. A majority of Directors currently authorized by these Amended Bylaws shall constitute a quorum for the transaction of business except that in any proposed Board action where any of the Board Members are “interested” Directors or in a potential conflict of interest position, such as in a matter where a Board Member stands to benefit financially from the transaction or seeks indemnification, the majority for purposes of Board action is a majority of the “disinterested” Directors. Every act done or decision made by a majority of the Directors at a duly called meeting shall be regarded as an act of the Board.

Section 5.5. Waiver of Notice. Attendance by a Director at any meeting of the Board shall constitute a waiver of any notice otherwise required.

Section 5.6. Action Without Meeting. The Directors may take action that they could take at a meeting in circumstances that warrant more immediate attention by obtaining the written approval with unanimous consent of all of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors. Any action taken by unanimous consent that is otherwise subject to an open meeting discussion shall be announced at the next open meeting of the Board.

Section 5.7. Notice to Members/Meetings Open to Members. Association Members must be provided at least four (4) days notice of Regular or Special Board Meetings and any Committee meetings where a majority of Board Members will be present discussing business of the Association. Notice may be provided in an annual mailing, by mail, by posting in a prominent place in the Common Area, newsletter, or individual notice. Notice may be posted on the Association website except that if any Owners do not have internet access, an alternate form of Notice must be given to those Owners. In addition to Notice of the meeting, the Board shall also provide an Agenda to Members, using one of the forms of notice provided for the Meeting Notice, at least four (4) days before the meeting. The Board may not act on any item of business at the meeting that is not on the Agenda, unless one of the exceptions found in Civil Code Section 1365.05(f) applies (which includes a finding that an emergency exists or that the matter came up after the agenda was prepared and needs action). The Board may adopt a policy outlining the exceptions in the law so that details will be available to the Owners. The Notice to Owners and pre-meeting notice of the Agenda are not required for emergency meetings or executive sessions.

All Regular and Special Meetings of the Directors and of Committees consisting of a majority of Board Members, except executive sessions, shall be open to all Members of the Association. Members who are not Directors are not entitled to participate in any deliberation or discussion of business of the Association unless expressly authorized by the Board. However, Members shall be given a reasonable opportunity to address the Board at each meeting, during a homeowner forum time or as otherwise provided by the Board.

Section 5.8. Executive Session. The Board may, with the approval of a majority of a quorum of the Directors or at the request of the President of the Board, and in accordance with California law, meet in executive session to discuss and vote upon personnel matters, litigation or pending litigation, matters within the attorney/client privilege, contract negotiation, and hearings for disciplinary matters. The general nature and purpose of the business considered in executive session should be reflected in the minutes of the first open Board meeting following the executive session.

Section 5.9. Minutes of Meetings of the Board and Committees. Within thirty (30) days after any Board Meeting, the Board shall make the minutes of any open Board meeting available to any Member who makes a written request. If the minutes are not yet approved, the minutes shall be marked to indicate "draft status".

Action taken without a Meeting by unanimous consent should be announced at and memorialized in a writing recorded and filed with the minutes of the next appropriate Board Meeting. Record of actions of the type that are subject to executive session shall not be attached to open meeting minutes but shall, instead, be filed in the Association confidential records. The purpose of any matter that is discussed in an executive session shall be generally noted in the minutes of the regular open Board Meeting during which or after the executive session has occurred. Copies of the proposed minutes of Meetings other than executive session shall be provided to any Member of the Association upon request and upon reimbursement of the Association's costs. Minutes shall be prepared for any Board meeting and Committee meeting for any committee with decision-making authority) and shall be retained permanently by the Association.

ARTICLE VI **POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

Section 6.1. Powers and Authority

The Board of Directors shall be authorized as follows:

(a) **To Exercise Powers, Duties and Authority:** Exercise all powers, duties and authorities vested in the Board under the Governing Documents and under the laws of the State of California which are not specifically reserved to the Members by the Governing Documents.

(b) **To Enforce Governing Documents:** Enforce as deemed prudent all applicable provisions of the Governing Documents relating to the control, management and use of the properties within the Development and the Common Areas.

(c) **To Adopt and Enforce Rules and Regulations:** Adopt, publish, amend, repeal, and enforce Rules and Regulations which govern and/or relate to the administration, management, operation, use, and occupancy of the entire Development, including the Common Area, Residences and Lots, the personal conduct of the Members and their tenants and guests, and any other matter which is within the jurisdiction of the Association. All new rules and rule changes are subject to Civil Code Section 1357.100 et seq. which requires

circulation to the Members for a comment period (not a vote) prior to adoption, with some exceptions noted in the law.

(d) To Establish and Impose Fees, Penalties/Fines: Establish and impose administrative fees, reimbursement costs, and/or monetary penalties (fines) imposed as disciplinary action for failure under, or for the infraction (or for each of any re-occurring or continuing infraction) of any provision of the Governing Documents. Any fees and/or fines to be imposed shall be adopted by the Board in a schedule or policy and shall be distributed to all Members. Monetary penalties shall be effective only after the procedures in Article XI are satisfied.

(e) To Suspend Rights to Use The Common Area Facilities (see Article XI - Hearing Requirements): Suspend, after notice and hearing before the Board, any Membership rights including the right to use of the Common Area and the facilities located therein as to any Member or resident of the Member's property.

(f) To Arrange for an Electronic, Video, Audio Conference, or Web Meeting for Any Association Meeting: Make arrangements so that any Association meeting, whether a Membership or a Board meeting, may be held by electronic means so long as all Directors and/or Members entitled to attend the meeting can hear all other attendees of the meeting when they are speaking, and can be heard by all other attendees at times when it is appropriate to comment or participate.

(g) To Engage The Services of Manager or Management Company: Engage the services of a manager or management company as either an employee or an independent contractor and such other employees as the Board may deem necessary, and prescribe their duties and fix their compensation, and evaluate the performance of the manager on at least an annual basis.

(h) To Consult With Professionals: Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Governing Documents and the law, and to pay for such professional services.

(i) To Perform Maintenance: To perform all maintenance and repairs as required of the Association by the Restated Declaration (aka CC&Rs).

(j) To Obtain Insurance: To maintain those policies of insurance required by the CC&Rs and to review said insurance policies annually to determine whether the amounts and types of insurance obtained provide adequate coverage as required thereunder.

(k) To Contract for and Pay for All Upkeep: Contract for and pay for maintenance, landscaping, utilities, materials, supplies, furniture, labor, and services that may be required in relation to the Common Areas and any other portions of the property which the Association is obligated to maintain.

(l) To Pay Taxes/Liens: Pay all taxes, special assessments, and charges that are or would become a lien on any portion of the Common Area. If there is need to pay taxes or liens on property in the development and the lien is the obligation of an individual Owner, the Board shall levy a reimbursement assessment against such Owner for the amount thereof. Where one or more persons are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it; and, if it becomes necessary for the Board to pay any such costs by reason of or to release any liens, said costs shall be specifically assessed to the Owner(s) responsible for the lien(s).

(m) To Contract for and Pay for Construction and Reconstruction: Contract for any construction or reconstruction of any portion or portions of the Development that have been damaged or destroyed and that are to be repaired or rebuilt by the Association, except as otherwise limited or directed by these Amended Bylaws or the Restated CC&Rs.

(n) To Delegate Duties: Delegate duties of the Board of Directors to committees established by the Board under the Governing Documents.

(o) To Collect Assessments: Levy and collect assessments from the Members of the Association in accordance with the Restated Declaration.

(p) To Prepare Budgets: Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with California law, and in annual intervals obtain a financial review under Civil Code Section 1365, or, upon majority Board approval, obtain an audit instead, a copy of which (the Review or Audit) shall be delivered to each Member as provided in Section 6.3 below.

(q) To Declare Vacancies on the Board: In its discretion, declare a Board seat to be vacant in the event a Board Member shall be absent from three (3) consecutive regular meetings of the Board without notice to the Board regarding excuse for absence or without acceptable excuse, or shall be found not to be in good standing. The Board Member shall be offered a hearing under Article XI prior to Board Action and it shall be up to a majority of the Board to make the decision on whether the position should be vacated.

(r) To Fill Vacancies on the Board: Fill by appointment vacancies on the Board of Directors for the completion of a term due to resignation, death or authorized vacating of a position by action of the Board

(s) To Open Bank Accounts: Open bank accounts on behalf of the Association and execute signature cards. Unless otherwise determined by the Board, the Association shall maintain at least two separate accounts in one or more banks or other depositories selected by the Board. The assessments collected by the Association for and on behalf of each Owner shall be used for the purposes set forth in Article IV of the Restated Declaration. The Board shall allocate a portion of said funds for the annual maintenance and operation costs, and another portion of said funds as reserves as required by law.

(t) To Dedicate/Transfer Easement Rights For Utilities and Cable or Exclusive Use of Common Area: To dedicate or transfer easement or property rights to utility service companies or telecommunication providers over Common Area, as deemed necessary to receive beneficial services, without a vote of the Members. However, any transfer of Common Area to a Member for exclusive use requires approval of 2/3 of the Association Members pursuant to Civil Code Section 1363.07.

(u) To Borrow Funds: Borrow funds to pay for costs of operation, secured by assignment or pledge of rights to collect assessments from Owners; provided, however, that the approval of a majority of Members shall be required to borrow in excess of 5% of the budgeted gross operating expenses for the Association in any fiscal year.

Section 6.2. Limitations On Authority Of The Board

The Board powers and authority are limited as follows:

(a) Limitations on Expenditures for Capital Improvements: The Board may not in any fiscal year, without approval of a majority of the Members, incur aggregate expenditures for new components/capital improvements or additions to facilities in the Common Area in excess of five percent (5%) of the budgeted gross operating expenses for that fiscal year. (This does not limit or apply to reserve component expenditures.)

(b) Limitations on Contracts: The Board shall not enter into contract with a third person wherein the third person will furnish goods or services for the Common Area for the Association for a term longer than one (1) year without Membership approval, with the following exceptions:

- (i) A contract with a public utility company if the rates charged for the material or services are registered by the Public Utility Commission provided, however, that the term for the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.
- (ii) Prepaid casualty and/or liability insurance policies not to exceed three (3) years' duration, provided they permit short rate cancellation by the insured.
- (iii) A management contract subject to termination upon sixty (60) or less days' written notice.

(c) Board Compensation: The Board shall be prohibited from paying compensation to Members of the Board or other Officers of the Association for services performed in conducting the Association's business. However, the Board may approve reimbursement of a Member or Officer for expenses incurred in conducting such business. The authority to approve such expenses may be given to any Board Member or agent of the Association (including management) by the Board, and likewise, the Board may require pre-approval of expenses as a condition to reimbursement.

(d) Selling Association Property: The Board shall be prohibited from selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, unless the sale is approved by 2/3 of the Members, counting one vote per Residence/Lot.

Section 6.3. Duties:

(a) Review Of Accounts By Board:

- (1) On not less than a quarterly basis, the Board of Directors shall review reconciliations of all Association accounts and accounting statements that are prepared by the financial institution(s) with whom the operating, land lease and reserve accounts are lodged, and review the Association's income and expense statement for the operating and reserve accounts, and any other information required by Civil Code Section 1365 and 1365.5.

(b) Distribution Of Review of Financial Statement: A formal Review of the financial statement of the Association shall be obtained by the Board for any fiscal year in which the gross income to the Association meets or exceeds \$75,000 and the Review shall be distributed within one hundred twenty (120) days after the close of each fiscal year to all Members of the Association. The review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy, pursuant to the requirements of Civil Code Section 1365 and 1365.5.

(c) Distribution of Budget Information: The Association shall prepare and distribute to all of its Members all of the documents required by Civil Code Sections 1365, 1365.2.5 (form) and 1365.5, not less than thirty (30) days or more than ninety (90) days prior to the beginning of the Association's fiscal year or such other time as required or allowed by California law. These laws generally include distribution of the following:

A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis and a summary of the Association's reserves based upon the most recent review or study, based only on assets held in cash or cash equivalents. All reporting requirements of the laws listed above must be met. Since they change almost annually, this reference to the law is made in place of naming the details.

(d) Distribution of Other Required Information With the Budget Package:

- (1) Delinquent Assessment Policy A policy describing the Association's policies and practice in enforcing lien rights or other legal remedies for default in payment of its Assessments against its Members shall be provided pursuant to Civil Code Section 1365. Likewise, it shall also either include or provide as a separate disclosure the legally required notice set forth in Civil Code Section 1365.1.

- (2) Monetary Penalty Schedule/Policy. Circulation of this Policy with the Annual package is discretionary. However, the Board shall prepare and adopt a schedule and/or policy for fines/monetary penalties if fines are to be used and circulate it to all Owners, and circulate the modified policy schedule again to Members each time modifications are made. It is common to send this policy out with the budget.
- (3) How To Obtain Minutes. The Board shall annually provide Members with notice about how and where to inspect minutes of meetings, which shall be made available for inspection within thirty (30) days after a meeting (even if only in draft form). This notice can be accomplished in any general mailing, or with the annual budget.
- (4) Summary Of Internal Dispute Resolution (IDR) and Alternative Dispute Resolution (ADR) Laws and Procedures. The Board shall prepare IDR and ADR policies and summaries pursuant to Civil Code Sections 1363.810 - 1363.840 and 1368.510 - 1369.590 (and any successor provisions) and send these policies to the Owners each year and at other times as required by the statutes relating to individual situations.
- (5) General Liability And Other Insurance. The Association's insurance policies and the name of the insurer, the type of insurance, the policy limits, and the amount of deductibles (if any) for each policy must be disclosed to Members each year pursuant to Civil Code Section (1365). The notice must contain a specifically required statement:

“This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 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.”

- (6) Architectural Review Policies and Procedures. The Association shall circulate the policies and procedures relating to architectural application, review and approval processes each year.
- (e) Adoption of Election Rules. The Association shall adopt Election Rules and circulate them prior to and after adoption by the Board to the Members, and within its discretion any other time which seems prudent.
- (f) Reporting to State of California. Every two years, as required by law and the Secretary of State's office, the Association shall complete the forms required by the Secretary of State for reporting as a nonprofit mutual benefit corporation, including the “Statement by Domestic Non-Profit Stock Corporation” and the HOA registration form, and these forms shall be updated as necessary if there is a change in management or the Officers of the Association.

ARTICLE VII
OFFICERS AND THEIR DUTIES

Section 7.1. Enumeration of Officers. The Officers of this Association shall be President, Vice President, Secretary, and Treasurer, and any other Officers as the Board may, from time to time, by Resolution create. If the President is incapacitated or out of the state or country for any period of time, the Vice President shall act as President in the interim period unless two or more Board Members call an emergency Board meeting to determine that another Officer should serve as acting President.

Section 7.2. Appointment of Officers. The appointment of Officers by the Board shall take place at the first meeting of the Board of Directors following the Annual meeting at which Directors are elected.

Section 7.3. Term of Association Officers. Officers shall be appointed by the Board at the first Board meeting following each Annual Membership meeting and election. Each Officer shall hold office for one (1) year, unless he/she shall sooner resign, or shall be removed by the Board, or otherwise become disqualified to serve.

Section 7.4. Special Appointments. The Board may appoint such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 7.5. Resignation and Removal. Any Officer may be removed from office by the Board at any time, even if prior to end of the term. Any Officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The Officer appointed to such vacancy shall serve for the remainder of the term of the Officer he/she replaces.

Section 7.7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. Other positions may be combined as necessary or prudent to assure that the obligations of all offices are fulfilled, except that neither the President nor Vice President may serve concurrently as Secretary or Treasurer.

Section 7.8. Duties. The duties of the Officers are as follows:

PRESIDENT: The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, promissory notes and other written instruments and may co-sign checks or drafts, or withdrawal forms for Association accounts.

VICE PRESIDENT: The Vice President shall act as authorized by the Board, and should the President be unavailable or incapacitated, shall act in his or her place or stead, unless otherwise instructed by the Board. The Vice President may co-sign checks or drafts, or withdrawal forms for Association accounts.

SECRETARY: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members, and shall serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board. The Secretary may co-sign checks or drafts, or withdrawal forms for Association accounts. If the Association engages the services of a managing agent or other party to perform some of the tasks enumerated herein, the Association Secretary is relieved of doing those tasks.

TREASURER: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association; shall disburse such funds as directed by Resolution of the Board of Directors; may co-sign checks or drafts, or withdrawal forms for Association accounts; shall keep proper books of account; shall reconcile all bank accounts on a quarterly basis; shall cause an annual review of the Association books to be made by a certified public accountant at the completion of each fiscal year if the budgeted gross expenses exceed \$75,000.00; and shall prepare an annual budget and a statement of income and expenditures to be presented to the Membership at its regular annual meeting, pursuant to the financial information distribution requirements. If the Association engages the services of a CPA or managing agent to undertake any of these tasks, the Treasurer is relieved of those specific duties delegated to such person or entity.

DIRECTOR-AT-LARGE: This Director may take on special projects of the Board and/or provide liaison with the Members on issues of interest or concern.

ARTICLE VIII **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Association shall have the authority and obligation to indemnify each Director, Officer, Committee Member (for Committees officially commissioned by the Board), employee or agent of the Association (if agent is specifically authorized to be indemnified by action of the Board) who is a party to or is threatened because of his/her services provided to the Association to be made a party to any legal proceeding related to the Association, as more fully provided in California Non-Profit Corporation Law, Section 7237. Terms used in this Article shall have the same meaning as in Section 7237. Any Director, Officer, Committee Member (of an official Committee), employee or approved agent of the Association shall receive indemnification for reasonable expenses and liabilities actually and reasonably paid or incurred in connection with such proceeding, to the maximum extent permitted by Section 7237, so long as he or she was acting in good faith and within his/her capacity as a Board Member, and not outside the authority provided by the Board if any legal limitations are placed that fall within California law.

If the Board appoints volunteers as Inspector(s) of Election, they shall be considered agents of the Association and shall be indemnified to the extent described herein. If the Board uses a paid vendor, the indemnification and insurance shall be a matter of negotiation and shall be based on the contract with the vendor.

ARTICLE IX **COMMITTEES**

The Board may appoint committees as it deems appropriate to carry out the purposes of the Association, including but not limited to any “standing” committees, ad hoc committees, a finance committee, a nominations committee, and/or an architectural committee, as specified in the Restated Declaration. In doing so the Board may appoint one or more Board Members to each committee that is formed. The committee shall elect a chairman or, if determined by the Board, the Director who is appointed shall act as the Chair.

ARTICLE X **INSPECTION OF BOOKS AND RECORDS and MEMBERSHIP LIST**

The Association books and records, minutes, Governing Documents and Membership list of the Association as set forth in Civil Code Section 1365.2 shall, during reasonable business hours and upon written notice and request, for a purpose reasonably related to that person’s interests as a Member, be generally subject to inspection and copying by Members as set forth in that law. In lieu of making copies and charging the Owner therefor, the Board shall have the right to require the Owner to provide a copy service to copy the documents requested. The time requirements, cost to the Member, methods of inspection and copying, rights of Members and rights of Association, and penalties for noncompliance, shall be as set forth in Civil Code Section 1365.2. The Board may adopt guidelines for use by the Board and/or agents for review of association records, which guidelines must be consistent with California Civil code 365.2.

The Board shall have the right to deny Members access or inspection of attorney/client privileged materials and minutes and other items generated for or from Executive Sessions.

Directors have a right of inspection of all books and records of the corporation, except when the review or inspection may result in harm to the Association or any Member of it, because of a possible breach of confidentiality or privacy. In any case where a Board Member is denied access, the Board shall state the reasons therefore.

ARTICLE XI **OWNER NOTICE AND FAIR HEARING**

Section 11.1. Procedure. If a Member appears to be or is in violation of any provision of the Governing Documents and any disciplinary action, including monetary penalties, suspension of rights, fines, reimbursement Assessments, or other remedies are being considered, the Board shall give written notice to the Member specifying the nature of the

violation(s) (and providing any other appropriate information) and stating the time, date, and place that the Member will have an opportunity to be heard by the Board. Any disciplinary action that is to be considered shall be stated. This written notice shall be given at least ten (10) days prior to the date set for the hearing and may be delivered either in person or by first-class mail (it would be prudent, but not required by law, to add five (5) days for delivery if by mail).

Section 11.2. Conduct of Hearing. The Board of Directors may establish rules and procedures regarding the manner in which disciplinary hearings shall be conducted. Matters shall be conducted in closed (executive) session as provided in Civil Code section 1363 unless the Owner requests an open hearing.

Section 11.3. Determination. After the hearing has taken place, the Board shall (i) determine whether a violation has occurred and, if so, (ii) provide a written statement of decision which shall be sent to the subject Owner at his/her last known address. This decision shall be mailed postage prepaid or given by any other notice chosen and/or accepted by the Owner (such as fax, email, with Owner's consent) within fifteen (15) days of the date the decision is made. The Board is not required to make a decision at the hearing if additional information, time, or consultation with the Association's attorney or other person is needed.

ARTICLE XII **RECORD DATE**

The Board of Directors may fix a record date for purposes of voting on any measure. ("Record date" shall mean a specified date for determining Membership rights to vote on any association matter.)

ARTICLE XIII **ASSESSMENTS**

As more fully provided in the Restated Declaration, each Member is obligated to pay to the Association regular, special, and other stated assessments that are secured by a continuing lien upon the property against which the assessment is made. As more fully provided therein, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property; and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his/her Residence/Lot.

ARTICLE XIV **AMENDMENTS**

These AMENDED BYLAWS may be amended by written ballot subject to the procedures in Civil Code Section 1363.03, by approval of fifty-one percent (51%) of Members. A copy of any amendment shall be mailed or delivered to all Members and it shall state the effective date which is the date the Amended Bylaws are approved.

ARTICLE XV
CONFLICTS

In the case of any conflict between any Articles of Incorporation and these Amended Bylaws, the Articles shall control; and in the case of any conflict between the Restated Declaration and these Amended Bylaws, the Restated Declaration shall control.

ARTICLE XVI
NOTICES

Each Owner has the responsibility to keep the Association informed of his or her current mailing address. Any notice permitted or required, as provided herein, may be delivered as follows:

- (1) Personal delivery.
- (2) First-class mail, postage prepaid, addressed to a Member at the address last shown on the books of the Association or otherwise provided by the Member. Delivery is deemed to be complete on deposit into the United States mail.
- (3) E-mail, facsimile, or other electronic means, if the recipient has consented in writing to that method of delivery. If a document is delivered by electronic means, delivery is complete at the time of transmission.
- (4) If the Association broadcasts television programming for the purpose of distributing information on association business to its Members, by inclusion in the programming.
- (5) By any other method agreed between an Owner and the Board or appearing elsewhere in the Association Governing Documents.

ARTICLE XVII
CORPORATE SEAL

The Association may (but is not required to) obtain and use a Corporate Seal with the Association's legal name and date of original incorporation in it.

ARTICLE XVIII
FISCAL YEAR

The fiscal year of the Association shall be the calendar year. The fiscal year may be changed by the Board for good reason.

ARTICLE XIX
SUCCESSOR STATUTES

To the extent any of the controlling referenced state statutes are modified or repealed, the law as it changed controls over the related code section herein.

IN WITNESS WHEREOF, we, being the President and Secretary of **THE VILLAGE AT SANTA BARBARA OWNERS ASSOCIATION, INC**, hereby execute these Amended Bylaws this 22 day of March, 2011.

Evelyn Abernethy
President

Patricia Sheppard
Secretary

I, the undersigned, do hereby certify: that I am the duly elected and Acting Secretary of **THE VILLAGE AT SANTA BARBARA OWNERS ASSOCIATION, INC**, a nonprofit mutual benefit incorporated homeowners association, and, that these Amended Bylaws constitute the Amended Bylaws of said corporation, as duly approved by the Membership.

IN WITNESS WHEREOF, I subscribe my name on this 22 day of March, 2011.

Patricia Sheppard
Secretary

Note: There are many references to California Codes in these documents and new or modified laws are added every year. The documents cannot be reasonably modified every time the law changes. The Civil Codes referenced are generally found in "The Davis Stirling Common Interest Development Act" (Sections 1350-1378) pertaining to California homeowner associations. Many of the statutes (laws) are lengthy, complicated, detailed and subject to change. Therefore, they are not reiterated in their full capacity but instead, reference is made to them. If and as the laws change, the governing documents of this association will be subject to the successor laws. For more than 6 years, the California legislators have been looking at a revamp of the Davis Stirling Act, If the Code sections are moved to another part of the Civil Code, the numbered laws herein will relate to the subjects of the same section in the new area of the Davis Stirling Act. The laws referenced can located at the California state website at <http://www.leginfo.ca.gov/calaw.html>.